Stanford University Seminar

STANFORD UNIVERSITY

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

Dr. Takeshi Iizuka

Poster of "A Man of Indomitable"
Movie on the Iizuka Affair (2006)

TKC Corporation

Company Philosophy

"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.

TKC Corporation

Mission Statement

"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:

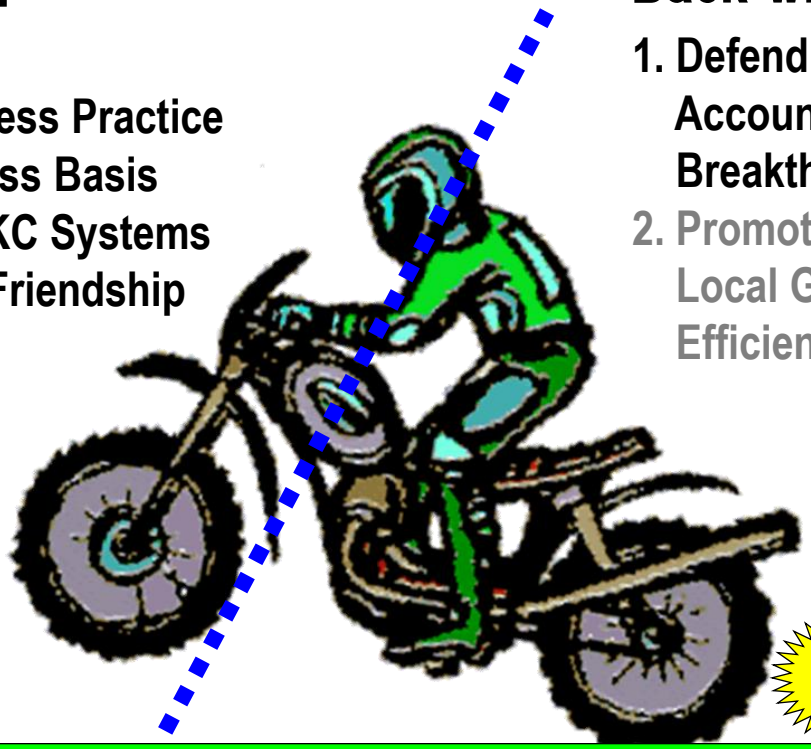
Front Wheel: TKCNF

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



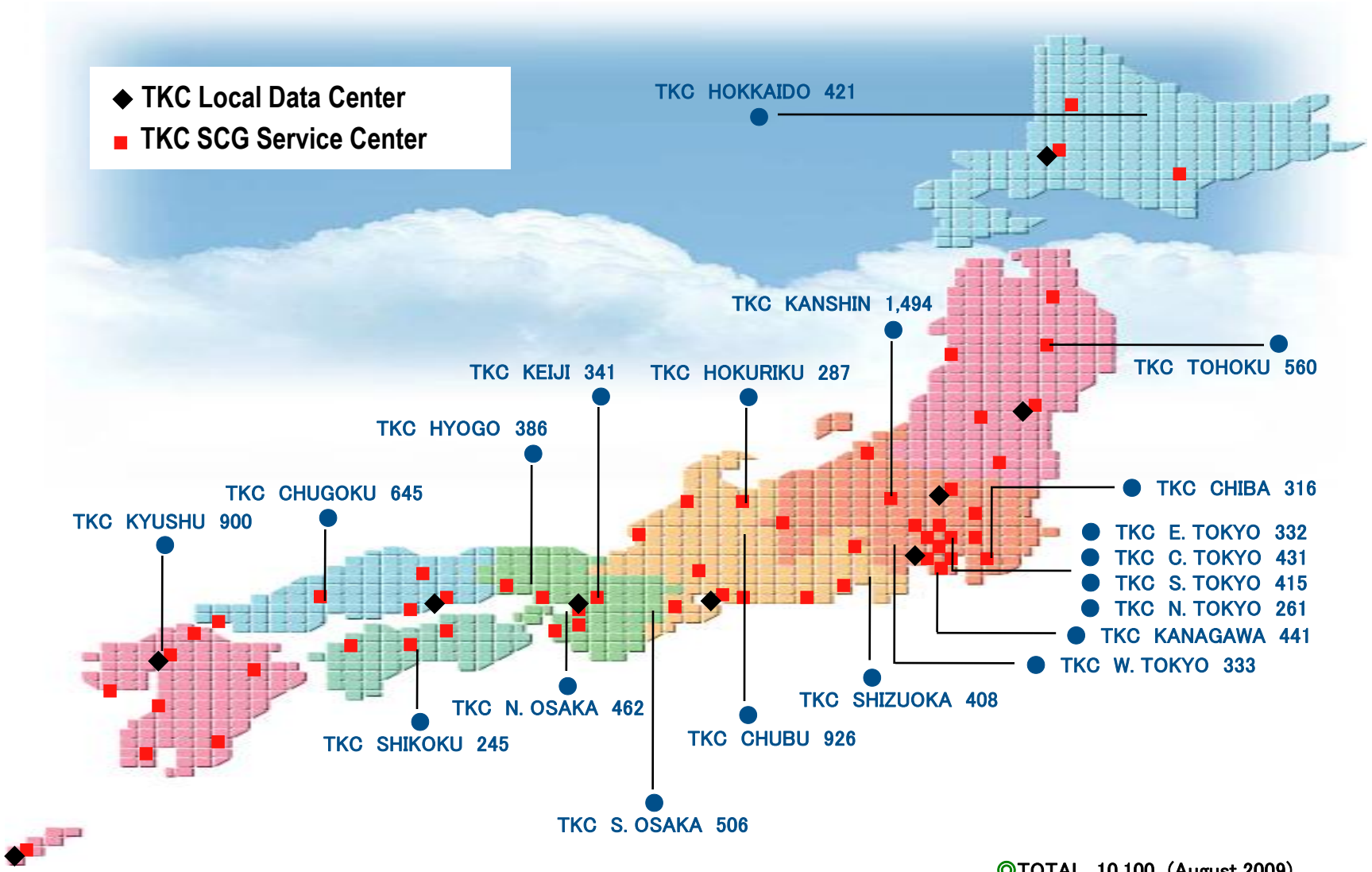
Brain
Organization

Power
Organization

"TKC is a Company which respects Customers' Decisions"

TKC National Federation

20 TKC Local Associations

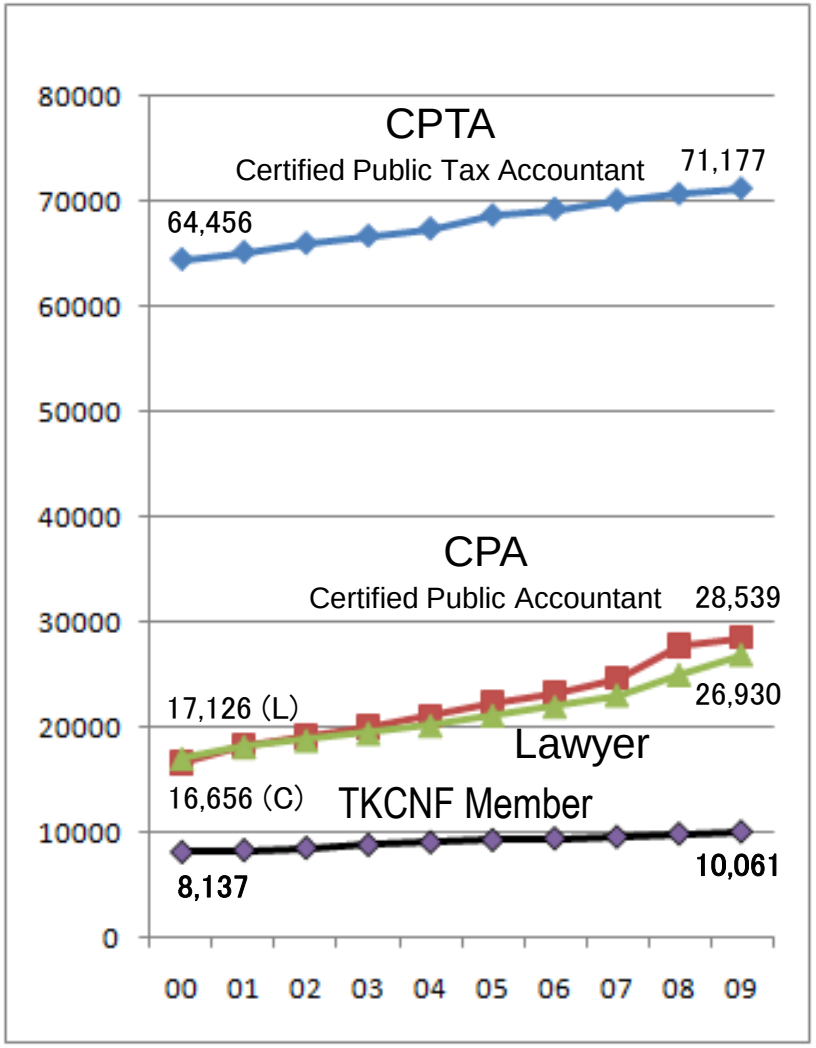


◎TOTAL 10,100 (August 2009)

Our Customers and their Clients

Public Accountants and Tax Payers in Japan

Public Accountants in Japan



Tax Payers in Japan

	NTA 2007	TKC 2010
1. Consolidated Corporation Tax		
1. Parent Company	685	400
2. Subsidiary	6,130	4,000
2. Corporation Tax (Classified by paid-in capital)		
1. ¥1 billion <	6,876	1,100
2. ¥100 million <	31,324	6,800
3. ¥10 million <	1,090,482	210,000
4. ¥10 million >	1,518,687	295,000
Total	2,647,369	517,300
3. Income Tax		
1. Business income earner	1,661,643	130,000
2. Farm income earner	134,429	NA
3. Others	5,972,612	NA
4. Income Tax withheld at Payroll, etc.		
1. Employer	3,785,514	*160,000
2. Employee	53,326,362	*2,200,000
5. Gift Tax and Inheritance Tax		
1. Gift Tax	358,832	NA
2. Inheritance Tax	137,957	*60,000

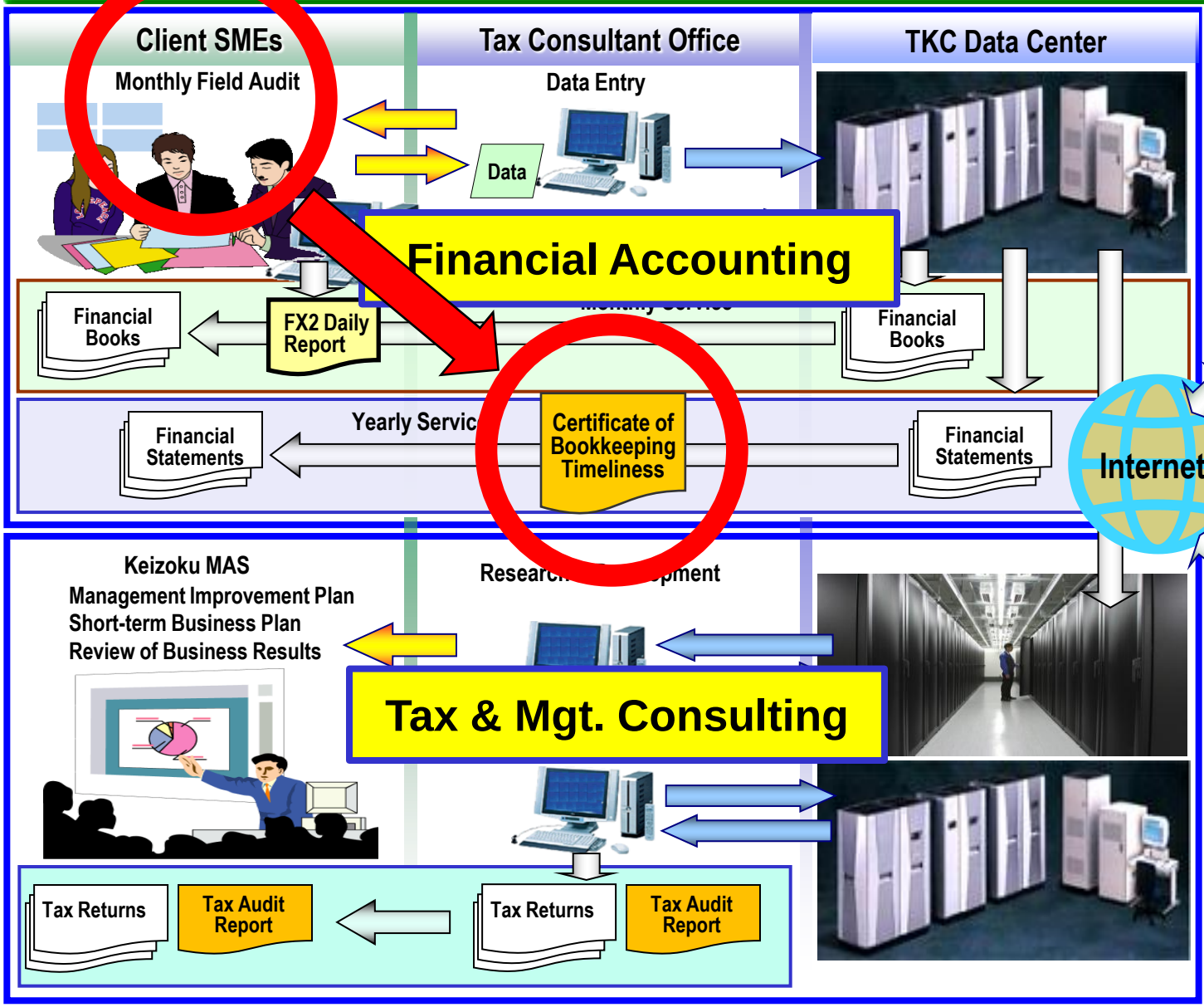
Data: National Tax Agency Home Page_

TKC Master Files

*Estimated

TKC Corporation

Computer & Internet Services



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

The Certificate of Bookkeeping Timeliness

Passport for Bank Loan Assessment

〔原本PDF〕 会計帳簿作成の適時性（会社法第432条）と電子申告に関する証明書　第 1851339543 号

発行日：平成21年 9月 1日

堀敬士税理士事務所　殿

株式会社ＴＫＣ
代表取締役社長　髙田 順三

貴事務所の関与先企業　株式会社　ＴＫＣ製作所　殿の会計帳簿作成の適時性及び継続性並びに月次決算の実施日及び決算書と法人税申告書等の作成に関して次の事実を証明します。

1．「資料１：過去３年間における月次決算及び年次決算の状況」について　（審査）Y N

①ＴＫＣ会員は「ＴＫＣ全国会行動基準書」に基づいて、会計記録の適法性等を確保するため毎月、関与先に出向き巡回監査することが求められていますが、貴事務所の実践状況は資料１のとおりです。

②「監査対象月」は貴事務所が巡回監査を行った会計期間、「仕訳数」は当月の試算表に計上された仕訳の件数、「データ処理日」は月次決算が完了した日を示しています。

③「決算書に付した番号」（17行目）は、書面の「決算報告書」に付した番号で、これと同一の番号が印刷されている貸借対照表及び損益計算書は、会計帳簿の期末科目残高と完全に一致しています。

2．「資料２：前期（第 16 期）の法人税申告書の作成状況」について

①ＴＫＣシステムは会計帳簿（仕訳帳・元帳・月次の試算表）及び決算書の作成、これに続く法人税申告書・消費税申告書の作成、さらには国税と地方税の電子申告まで一気通貫となっています。

②前期の決算書に計上された「税引き後当期純利益（損失）」（資料１の18行目Ⓐ）と前期の法人税申告書別表４の「当期利益又は当期損失の額(1)」（資料2の2行目Ⓑ）とは完全に一致しており、貴関与先殿の法人税申告書は当該決算書に基づいて作成されています。

3．税理士法第33条の２に定める書面添付（「決算申告確認書」の提出）の実践について

ＴＫＣ会員は「ＴＫＣ全国会行動基準書」により、税務申告書の提出に当たっては、税理士法第33条の２に基づく書面を添付することが求められていますが、貴事務所の実績は資料3（3行目）のとおりです。

4．ＴＫＣ財務会計システムの継続利用期間について

①貴関与先の財務データは、平成 5年 7月分から継続して利用しており、利用期間は16年 0か月となります。

②この利用期間において過去仕訳及び科目残高の遡及的な修正・追加・削除の処理はなされていません。

5．この証明書の真正性の確認方法について

次のＴＫＣ全国会ＨＰサイトから確認できます。なお、そこでは事務所名と商号の表示を省略しています。

http://www.tkcnf.or.jp/　（掲載期限：平成22年 8月31日）　以上

資料１：過去３年間における月次決算（◎翌月：○翌々月：無印遅れ/期首月と期末月は調整）及び年次決算の状況

年月	第14期 平成18年 7月 1日-平成19年 6月30日				第15期 平成19年 7月 1日-平成20年 6月30日				第16期 平成20年 7月 1日-平成21年 6月30日			
	監査対象月	仕訳数	データ処理日	注	監査対象月	仕訳数	データ処理日	注	監査対象月	仕訳数	データ処理日	注
1	平成18年 7月	476	平成18年 8月25日	◎	平成19年 7月	478	平成19年 8月24日	◎	平成20年 7月	472	平成20年 8月22日	◎
2	平成18年 8月	459	平成18年 9月22日	◎	平成19年 8月	464	平成19年 9月21日	◎	平成20年 8月	465	平成20年 9月19日	◎
3	平成18年 9月	454	平成18年10月20日	◎	平成19年 9月	471	平成19年10月19日	◎	平成20年 9月	448	平成20年10月22日	◎
4	平成18年10月	441	平成18年11月17日	◎	平成19年10月	449	平成19年11月22日	◎	平成20年10月	442	平成20年11月21日	◎
5	平成18年11月	454	平成18年12月22日	◎	平成19年11月	462	平成19年12月21日	◎	平成20年11月	456	平成20年12月22日	◎
6	平成18年12月	442	平成19年 1月19日	◎	平成19年12月	454	平成20年 1月18日	◎	平成20年12月	468	平成21年 1月20日	◎
7	平成19年 1月	446	平成19年 2月19日	◎	平成20年 1月	458	平成20年 2月15日	◎	平成21年 1月	438	平成21年 2月20日	◎
8	平成19年 2月	457	平成19年 3月22日	◎	平成20年 2月	463	平成20年 3月21日	◎	平成21年 2月	444	平成21年 3月19日	◎
9	平成19年 3月	456	平成19年 4月19日	◎	平成20年 3月	472	平成20年 4月18日	◎	平成21年 3月	453	平成21年 4月22日	◎
10	平成19年 4月	442	平成19年 5月18日	◎	平成20年 4月	453	平成20年 5月22日	◎	平成21年 4月	447	平成21年 5月19日	◎
11	平成19年 5月	453	平成19年 6月22日	◎	平成20年 5月	449	平成20年 6月20日	◎	平成21年 5月	445	平成21年 6月19日	◎
12	平成19年 6月	456	平成19年 7月20日	◎	平成20年 6月	473	平成20年 7月22日	◎	平成21年 6月	459	平成21年 7月22日	◎
13	年次決算	45	平成19年 8月17日	◎	年次決算	48	平成20年 8月15日	◎	年次決算	46	平成21年 8月21日	◎
14												
15												
16												
17	決算書に付した番号		N02413		決算書に付した番号		N03913		決算書に付した番号		N05313	
18	税引き後当期純利益（損失）		10,048,711円		税引き後当期純利益（損失）		11,932,362円		税引き後当期純利益（損失）		Ⓐ 9,504,917円	

資料２：前期（第 16 期）の法人税申告書の作成状況

	項目	処理結果	
1	法人税申告書の作成日及び提出方法	平成21年 8月21日	法人税申告書はＴＫＣシステムで作成され電子申告されています。
2	別表4の「当期利益又は当期損失の額(1)」	Ⓑ 9,504,917円	Ⓐ と Ⓑ は一致しており、申告書は決算書に基づいています。
3	別表1の「法人税額（2）」	2,105,000円	

資料３：前期（第16期）のＫＦＳの利用状況

1	Ｋ：継続ＭＡＳ（経営計画）	◎ 利用　○ 未利用
2	Ｆ：ＦＸ２シリーズ（自計化）	◎ 利用　○ 未利用
3	Ｓ：書面添付（税理士法33-2）	◎ 実践　○ 未実践

■ＴＫＣ全国会情報

1	会員氏名	堀　敬士
2	入会日（経過年数）	平成 2年10月 1日　（18年11か月）
3	事務所ホームページ	http://www.tkccomputersc.co.jp/

- 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

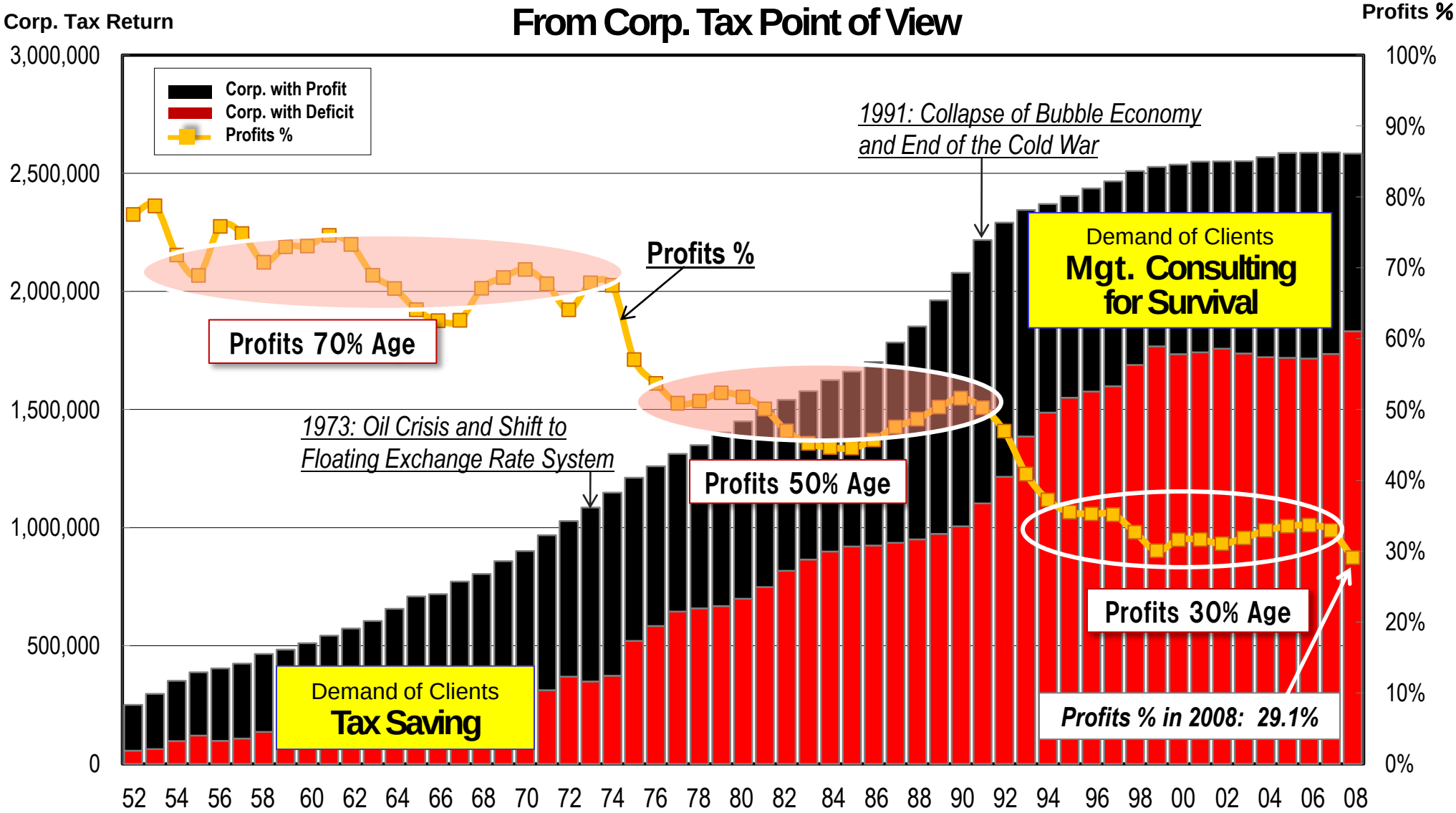
Basic Idea and its Background

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%



Data: National Tax Agency

Japanese Economy

Big Recession in 2008 and 2009

Japan GDP sinks deeper...

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

Percent ch

2 1 0 -1 -2 -3 -4 -5

Q1

Forecast data from

Source: www.esri.c

Reuters graphic/Cat

Japan's revised GDP

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

Percent change

2 1 0 -1 -2 -3 -4

Q1 Q2

Forecast data from Reuter

Source: www.esri.cao.go.jp,

Reuters graphic/Catherine Tr

Japan GDP

Japan returns to growth, ending its longest recession in decades

Percent change from pre

2 1 0 -1 -2 -3 -4 -5

Q1 Q2

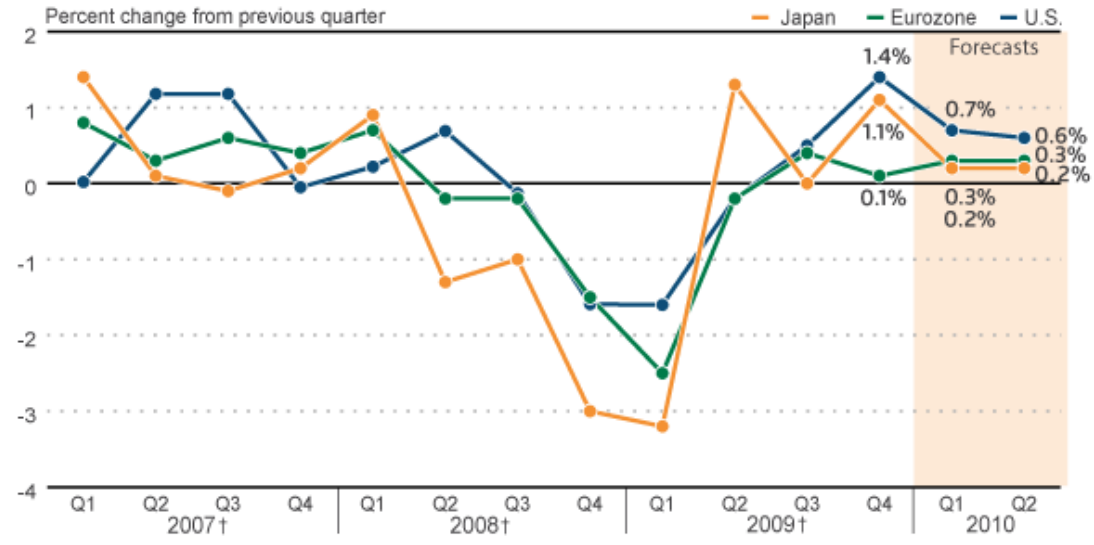
2007†

Forecast data from Reuters poll i

Source: www.esri.cao.go.jp, U.S. E

Reuters graphic/Catherine Trevetha

Japan's Q4 GDP +1.1 percent



Forecast data from Reuters poll issued Feb 9, 2010 * U.S. Q4 GDP is an advanced figure, † revised

Source: www.esri.cao.go.jp, U.S. Bureau of Economic Analysis, Eurostat,Thomson Reuters EcoWin

REUTERS

Reuters graphic/Catherine Trevethan

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

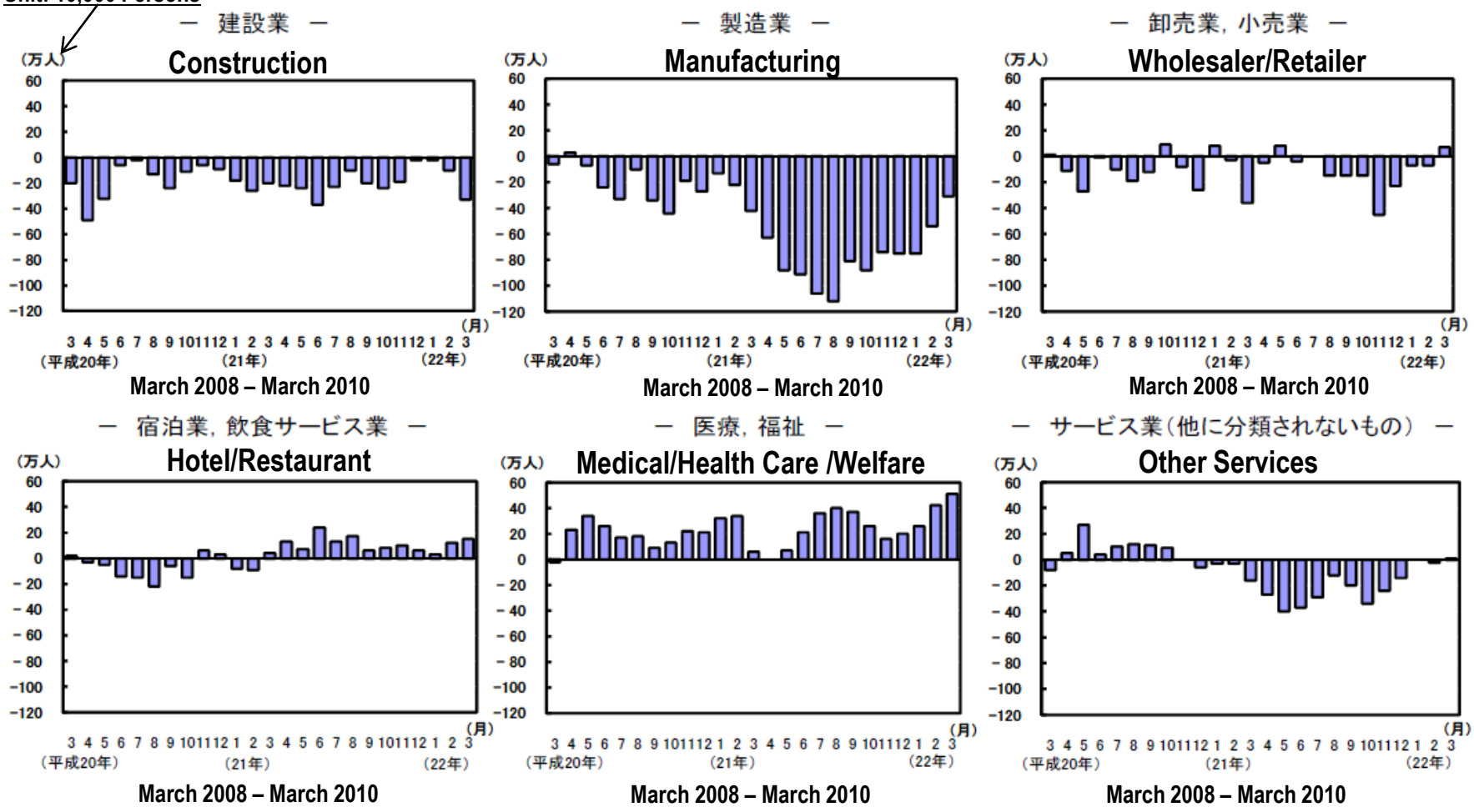
Japanese Economy

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

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

図6 主な産業別就業者の対前年同月増減の推移

Unit: 10,000 Persons



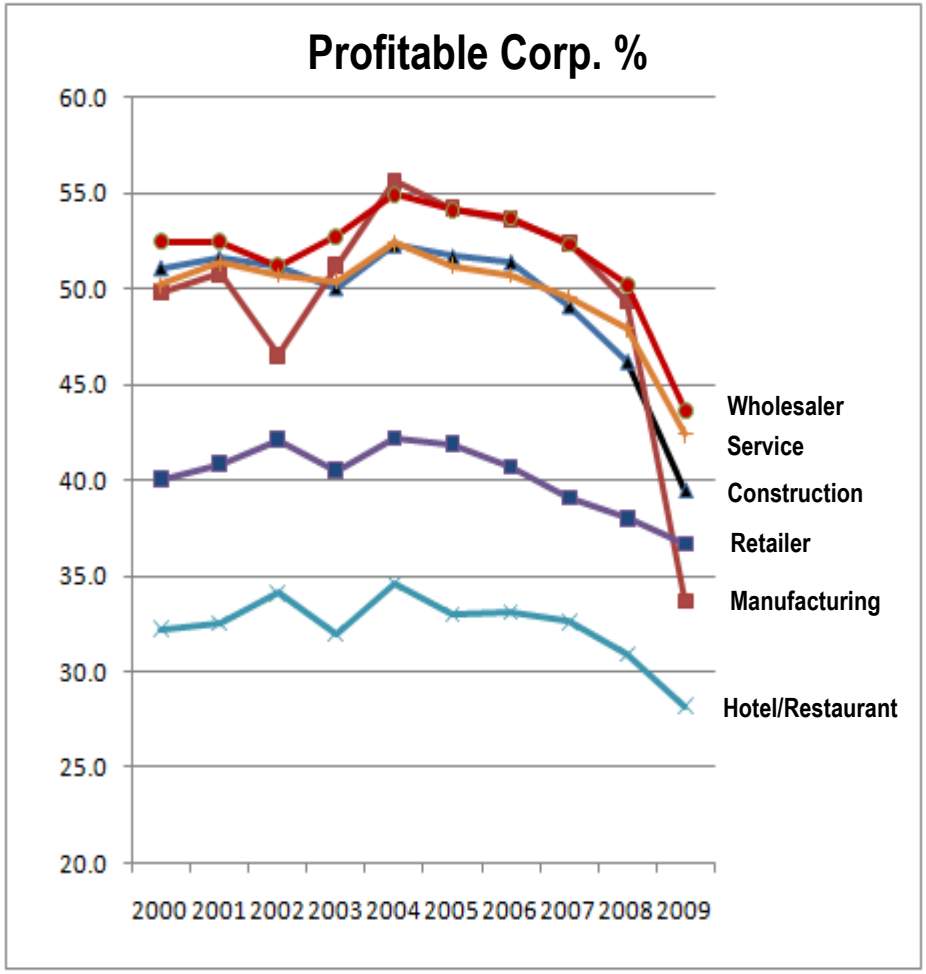
March 2008 – March 2010

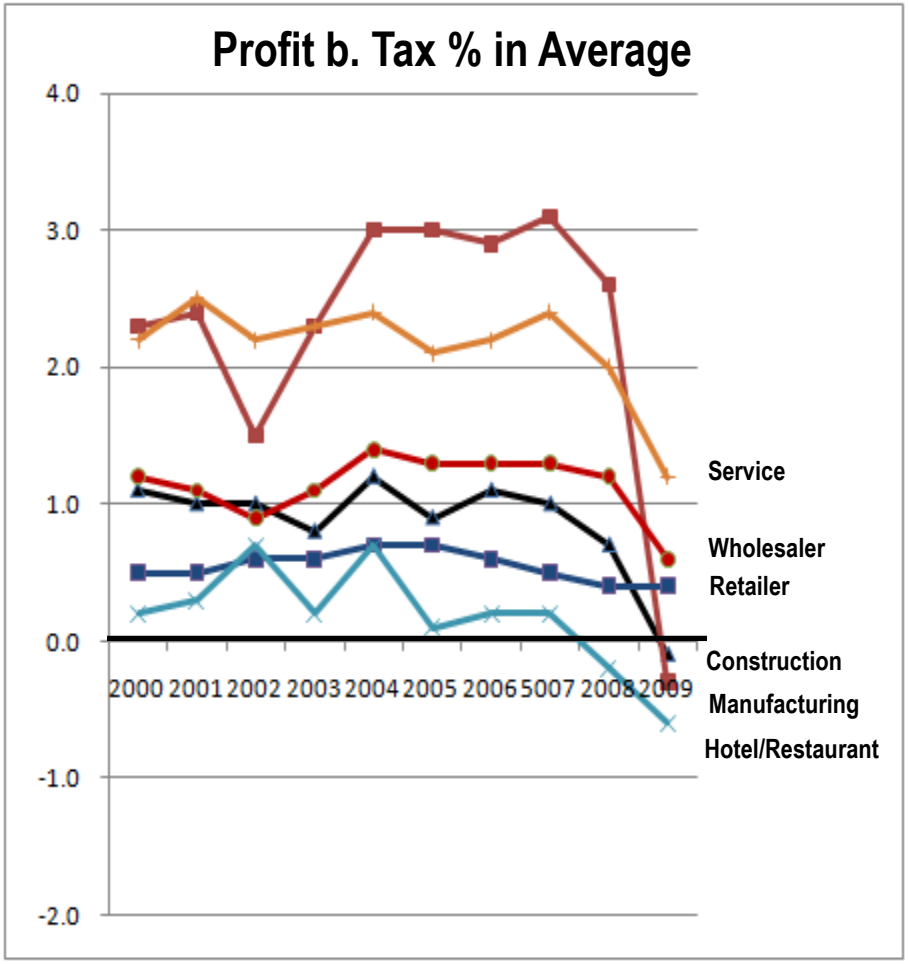
http://www.stat.go.jp/data/roudou/sokuhou/tsuki/pdf/05400.pdf

Damages to TKCNF Members' Client SMEs

We can hear their Screams!

TKC Research in 2010



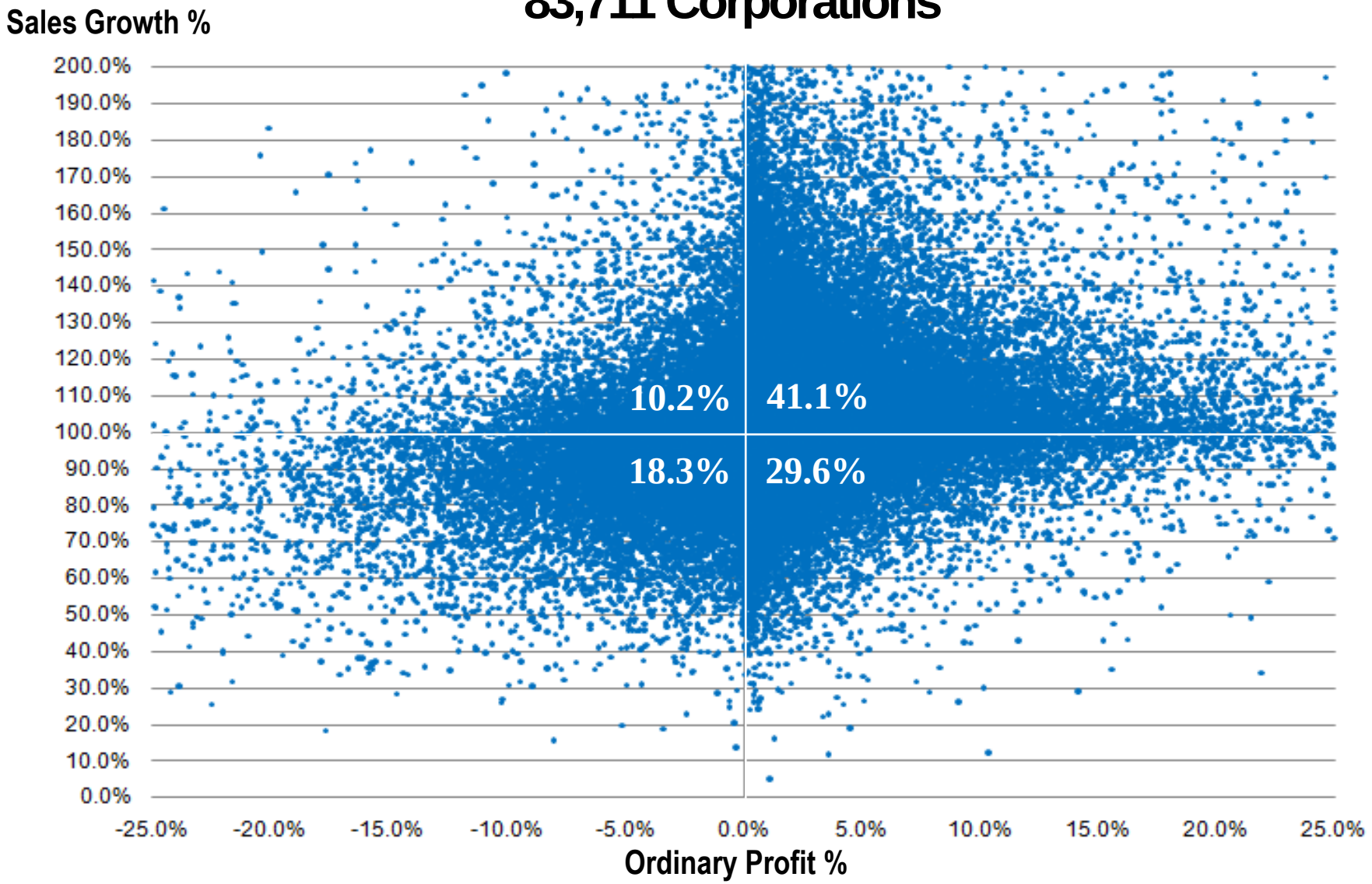


Data: TKC BAST 2010

Financial Crisis 2008

Clients with Turnover > ¥100 million

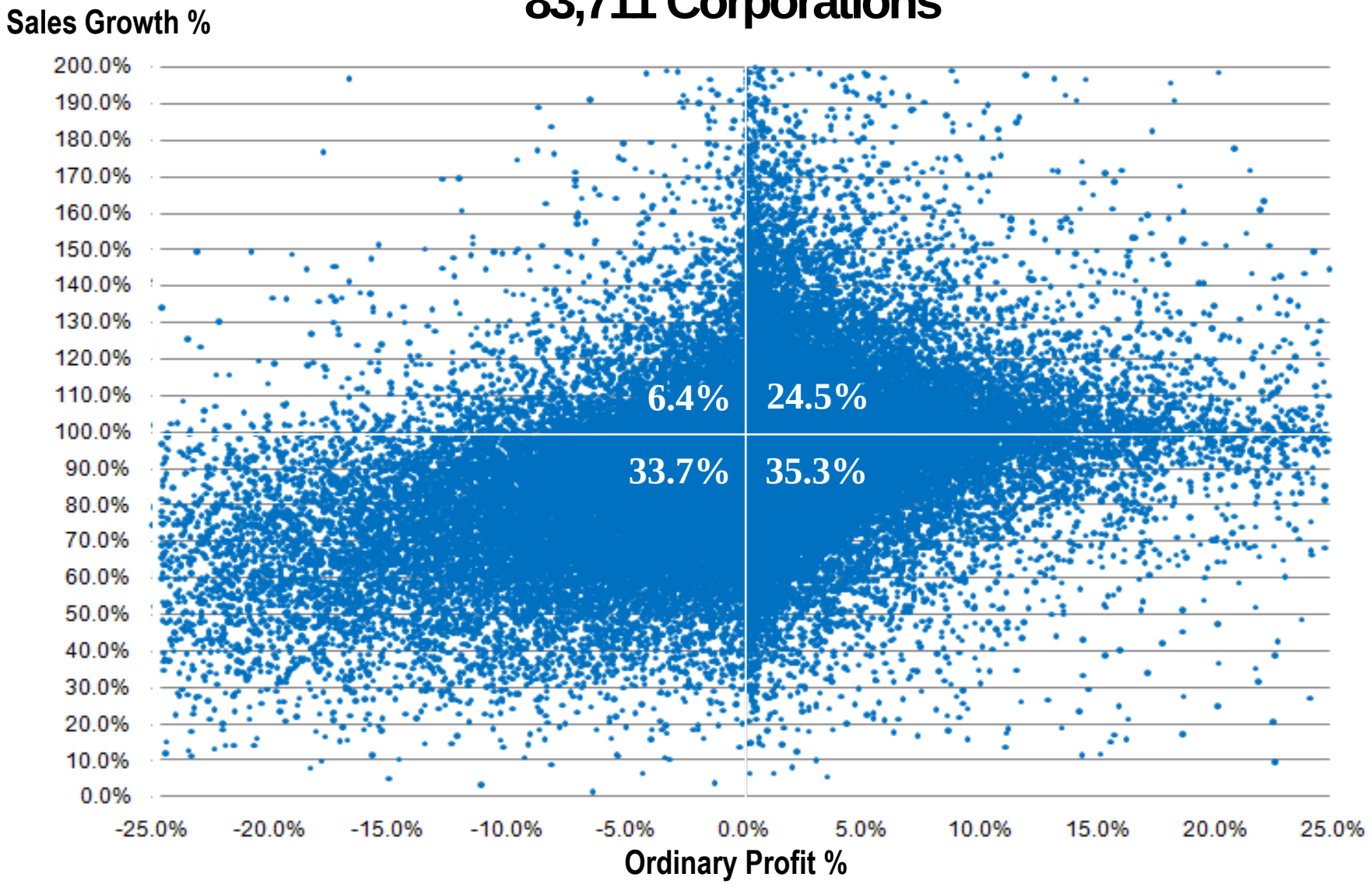
83,711 Corporations



Financial Crisis 2009

Clients with Turnover > ¥100 million

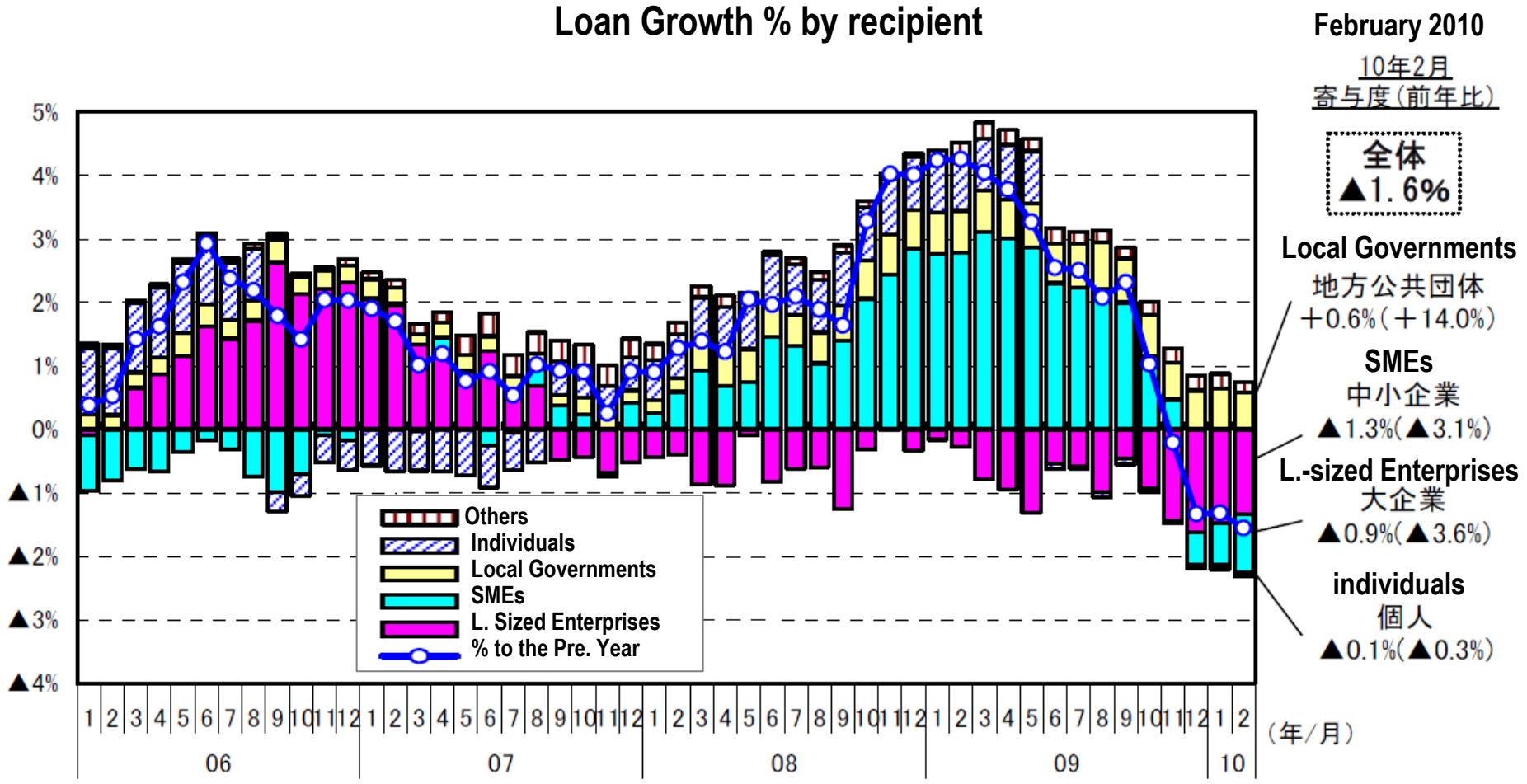
83,711 Corporations



Next Trial for Entrepreneurs

Liquidity crisis: Repayment, but No new loans

Data Source : Bank of Japan



www.c.jfc.go.jp/jpn/result/c17_65.pdf

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

KFS Campaign to Save SMEs

TKCNF's Most Important Project since 1999

We help you profitably manage your company with appropriate tax declaration

K **Keizoku MAS**
To develop "Management Improvement Plan"

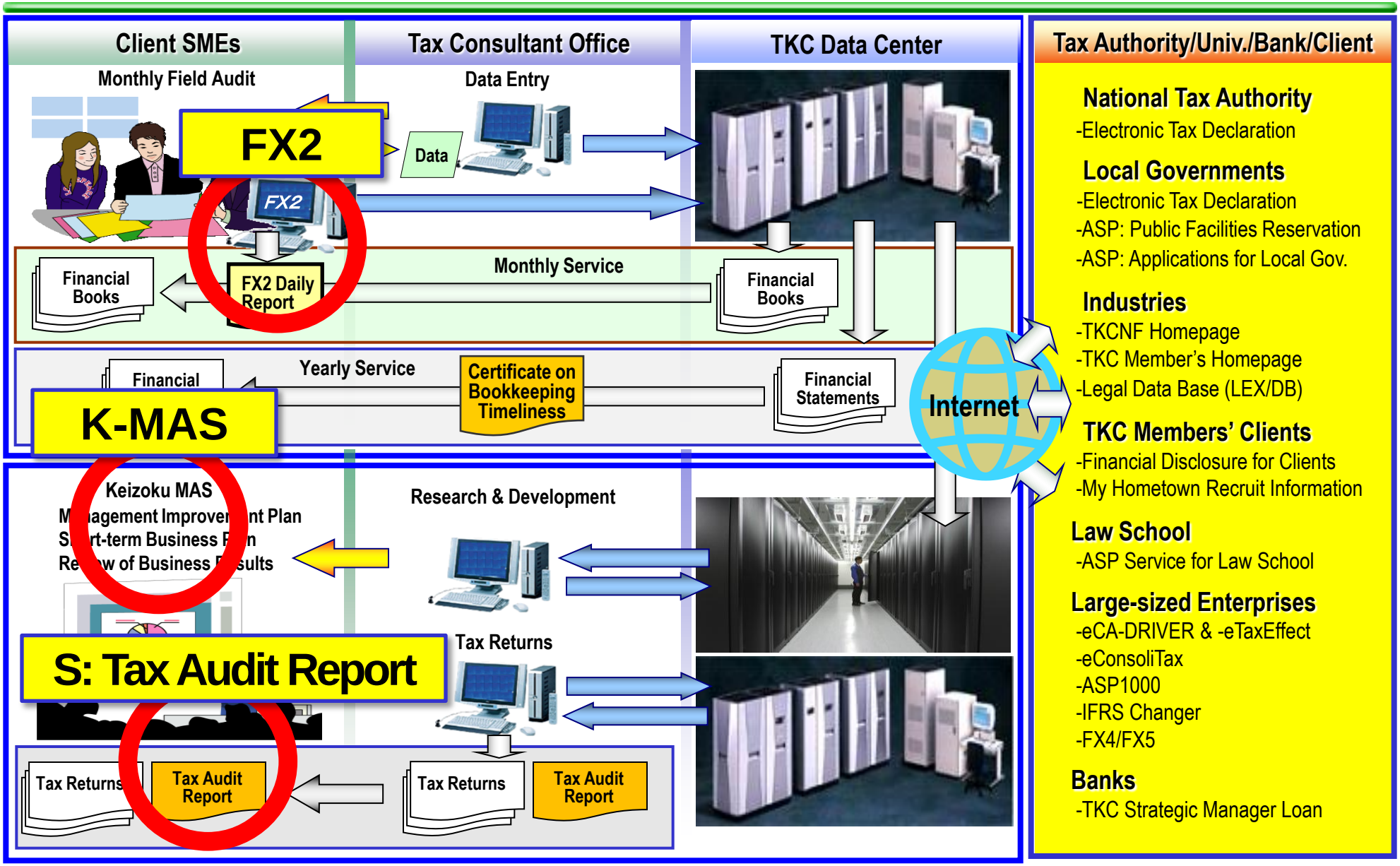
F **FX2 Self-Accounting System**
to realize "Profitable Management"

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



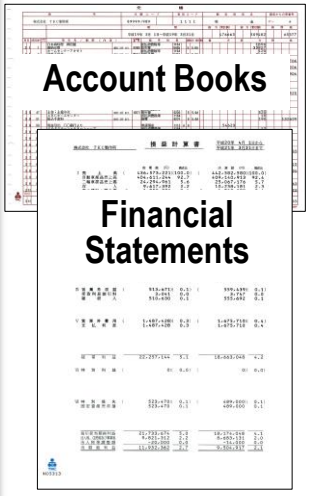
How Do they Work?

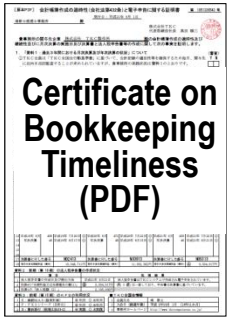
K-MAS→FX2→Fin. Accounting→Tax Filing

At CPTA Office

At Client Company

At TKC Data Center





K-MAS for Management Improvement Plan

Benchmark with Excellent Company Models

Download Excellent Company Model from TKC Data Center

Current Year Business Results prospected

Desirable Results when compared with Excellent Company

Problem Finding In Cost Structure

業種別審査事典(Z) 電卓(C) ﾍﾙﾌﾟ(H)

モデル変更 | 構成比 | 企業格付 | 帳表印刷 | 戻る | 計画期間:22年 4月-27年 3月

【3299：他に分類されないその他の製造業(優良企業)】

生産性分析 | 貸借対照表 | (単位:千円)

	目標ﾓﾃﾞﾙ(A)		当期予測(B)		自社ﾓﾃﾞﾙ(C)		削減目標(B-C)	
1 売上高	905,694	100.0	225,749	100.0	225,749	100.0		
2 変 仕入高	404,112	44.6	88,694	39.3	100,684	44.6	-11,990	-5.3
	76,048	8.4	42,078	18.6	18,962	8.4	23,116	10.2
	8,186	0.9	1,918	0.8	2,031	0.9	-113	-0.1
	417,347	46.1	93,059	41.2	104,070	46.1	-11,011	-4.9
	25,954	2.9	15,450	6.8	6,546	2.9	8,904	3.9
7 件 給与・賞			49,144	21.8	38,377	17.0	10,767	4.8
8 費 福利厚生費			8,390	3.7	7,675	3.4	715	0.3
9 人件費			72,984	32.3	52,373	23.2	20,611	9.1
10 他 製造原			2,432	1.1	9,932	4.4	-7,500	-3.3
11 の 販売管理費	43,761				10,835	4.8	2,503	1.1
12 固 支払利息・割引料	3,527				902	0.4	-236	-0.1
13 定 他の営業外費用	2,179				451	0.2	10	0.0
14 費 営業外収益(△)	21,371				5,417	2.4	-3,794	-1.7
15 設 減価償却費	20,268	2.2	7,058				2,092	0.9
16 備 地代家賃・賃借料	15,551	1.7	2,635				-1,202	-0.5
17 費 保険料・修繕費	15,661	1.7	1,825				-2,012	-0.9
18 固定費合計	330,076	36.4	99,778	44.2			17,606	7.8
19 経常利益	87,271	9.6	-6,719	-3.0	21,671	9.6	-28,390	-12.6

自社ﾓﾃﾞﾙ(C=B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?”

ＴＫＣ電子工業株式会社　殿－ 短期経営計画 －［基本計画策定］

ファイル(F)　画面印刷(S)　電卓(C)　ﾍﾙﾌﾟ(H)

継MAS | ５つの質問 | 商品別計画 | 期末棚卸高 | １人当分析 | 帳表印刷 | STEPﾌﾛｰ | 計画期間:22年 4月-23年 3月

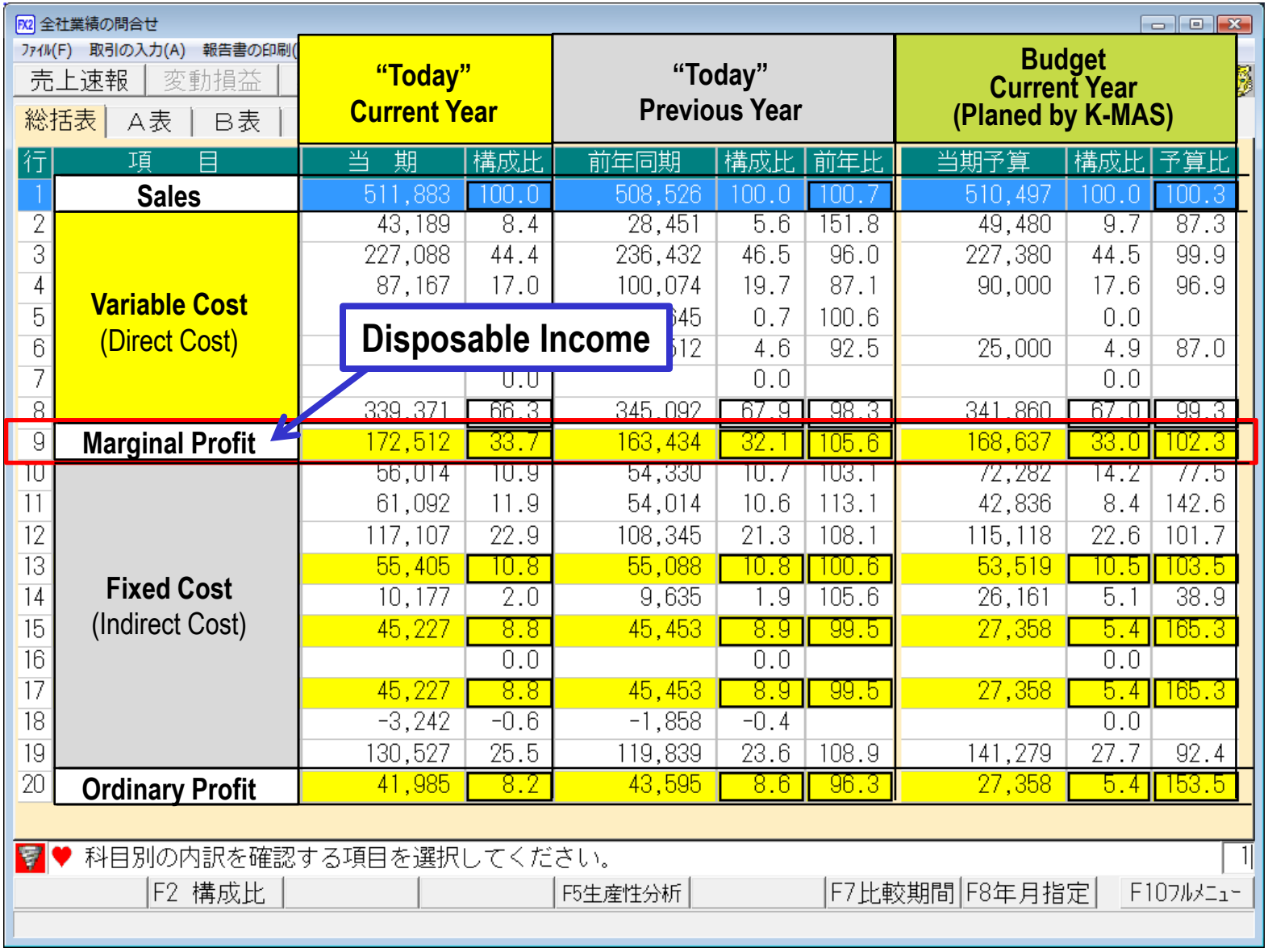
●次期の目標変動損益計算書（５つの質問による）　表示 「内、決算対策」を表示　（単位：千円）

行	項目		23年 3月期計画(A)		目標設定	22年 3月期予測(B)		差額(A-B)	前年比
1	売上高		227,781	100.0	未定	225,749	100.0	2,031	100.9
2	変	仕入高(含む棚卸)	88,151	38.7		88,694	39.3	-543	99.4
3	動	外注加工費	41,684	18.3		42,078	18.6	-394	99.1
4	費	他の変動費	1,822	0.8		1,918	0.8	-96	95.0
5	限界利益		96,124	42.2	未定	93,059	41.2	3,064	103.3
6	人	役員報酬	9,563	4.2	?	15,450	6.8	-5,887	61.9
7	件	給与・賞与	49,144	21.6	未定	49,144	21.8	0	100.0
8	費	福利厚生費等	7,625	3.3	自動	8,390	3.7	-765	90.9
9	人件費計		66,332	29.1		72,984	32.3	-6,652	90.9
10	他	製造原価	2,432	1.1	未定	2,432	1.1	0	100.0
11	の	販売管理費	13,338	5.9	未定	13,338	5.9	0	100.0
12	固	支払利息・割引料	666	0.3	未定	666	0.3	0	100.0
13	定	他の営業外費用	461	0.2	未定	461	0.2	0	99.9
14	費	営業外収益(△)	1,623	0.7	未定	1,623	0.7	0	100.0
15	設	減価償却費	7,058	3.1	未定	7,058	3.1	0	100.0
16	備	地代家賃・賃借料	2,635	1.2	未定	2,635	1.2	0	100.0
17	費	保険料・修繕費	1,825	0.8	未定	1,825	0.8	0	100.0
18	たな卸高増減(△)								
19	固定費合計		93,124	40.9		99,778	44.2	-6,654	93.3
20	経常利益		3,000	1.3	未定	-6,719	-3.0	9,719	0.0

［目標設定］欄のボタンを選択してください。

FX2 for Profitable Management

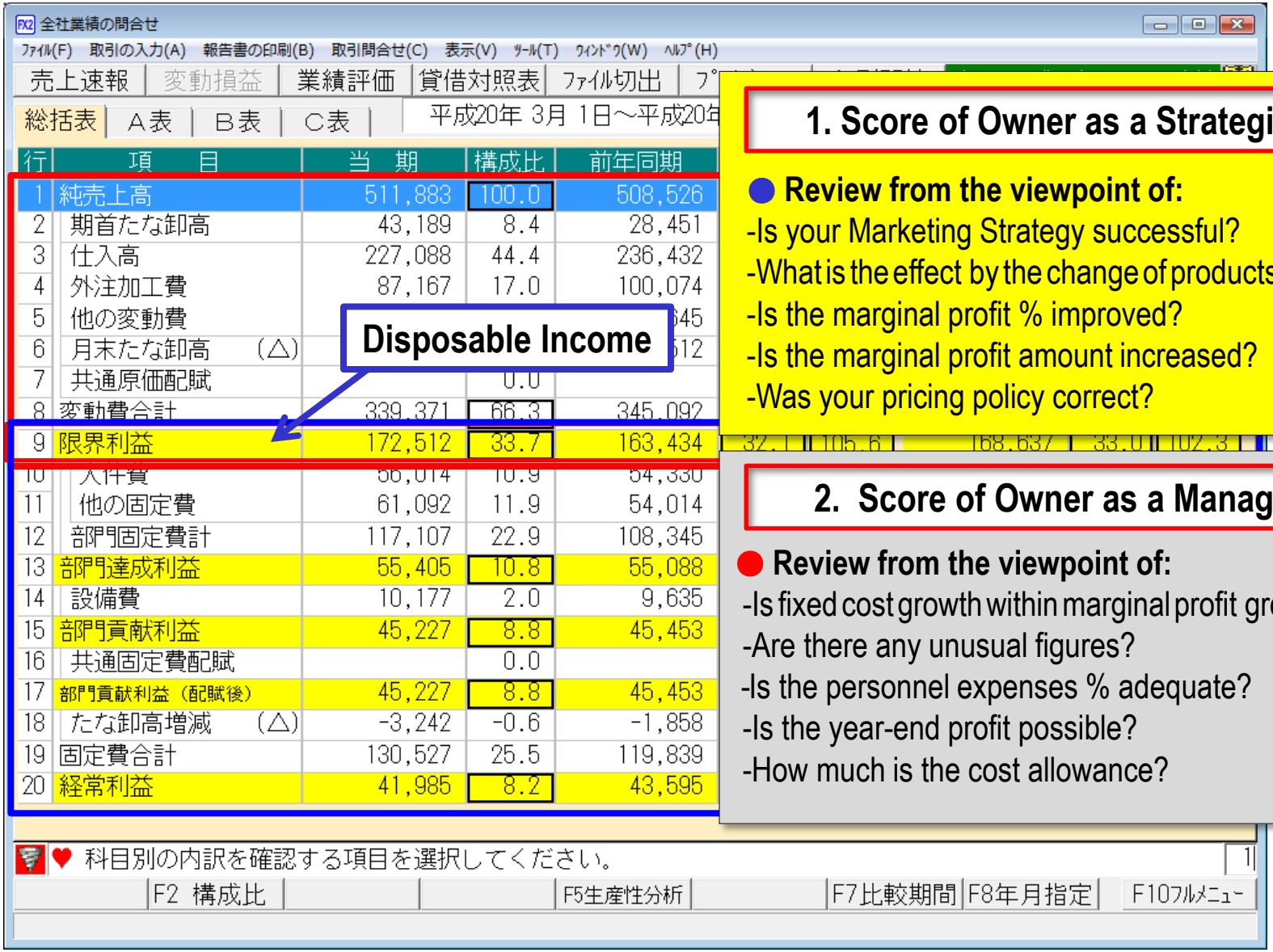
Daily Updating Report (365 Days)



行	項　目	当　期	構成比	前年同期	構成比	前年比	当期予算	構成比	予算比
1	**Sales**	511,883	100.0	508,526	100.0	100.7	510,497	100.0	100.3
2	**Variable Cost** (Direct Cost)	43,189	8.4	28,451	5.6	151.8	49,480	9.7	87.3
3		227,088	44.4	236,432	46.5	96.0	227,380	44.5	99.9
4		87,167	17.0	100,074	19.7	87.1	90,000	17.6	96.9
5				345	0.7	100.6		0.0	
6				512	4.6	92.5	25,000	4.9	87.0
7			0.0		0.0			0.0	
8		339,371	66.3	345,092	67.9	98.3	341,860	67.0	99.3
9	**Marginal Profit**	172,512	33.7	163,434	32.1	105.6	168,637	33.0	102.3
10	**Fixed Cost** (Indirect Cost)	56,014	10.9	54,330	10.7	103.1	72,282	14.2	77.5
11		61,092	11.9	54,014	10.6	113.1	42,836	8.4	142.6
12		117,107	22.9	108,345	21.3	108.1	115,118	22.6	101.7
13		55,405	10.8	55,088	10.8	100.6	53,519	10.5	103.5
14		10,177	2.0	9,635	1.9	105.6	26,161	5.1	38.9
15		45,227	8.8	45,453	8.9	99.5	27,358	5.4	165.3
16			0.0		0.0			0.0	
17		45,227	8.8	45,453	8.9	99.5	27,358	5.4	165.3
18		-3,242	-0.6	-1,858	-0.4			0.0	
19		130,527	25.5	119,839	23.6	108.9	141,279	27.7	92.4
20	**Ordinary Profit**	41,985	8.2	43,595	8.6	96.3	27,358	5.4	153.5

FX2 for Profitable Management

Help Make Entrepreneurs Wiser!



1. Score of Owner as a Strategist

● **Review from the viewpoint of:**

-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?

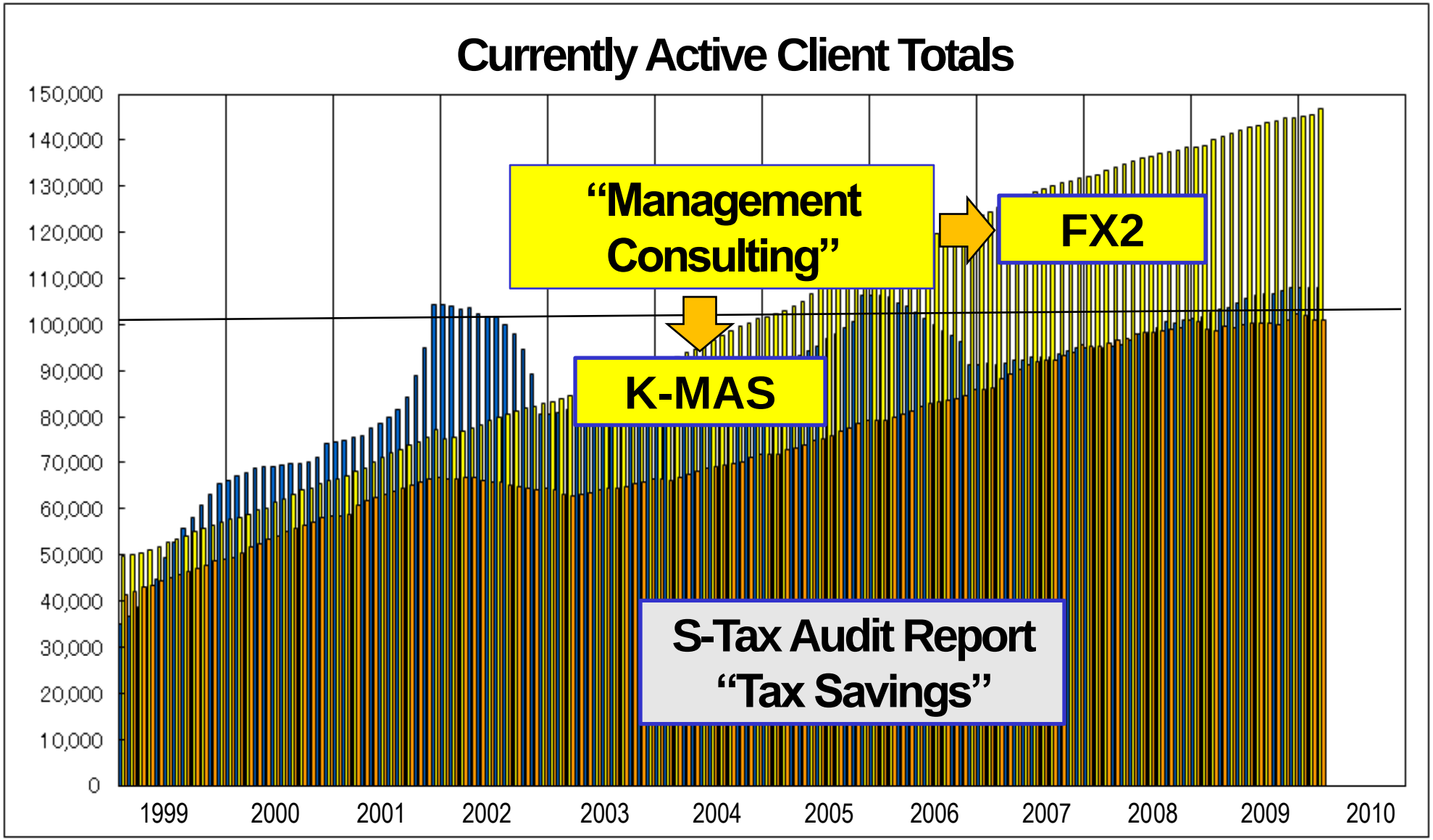
2. Score of Owner as a Manager

● **Review from the viewpoint of:**

-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?

Spread of KFS Tools

From “Tax Savings” to “Management Consulting”



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 TKCNFMembers' 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

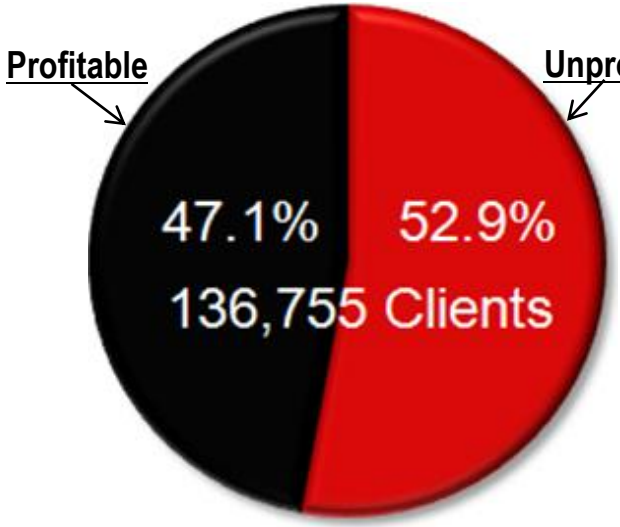
TKC BAST: Survey on Client Business Results

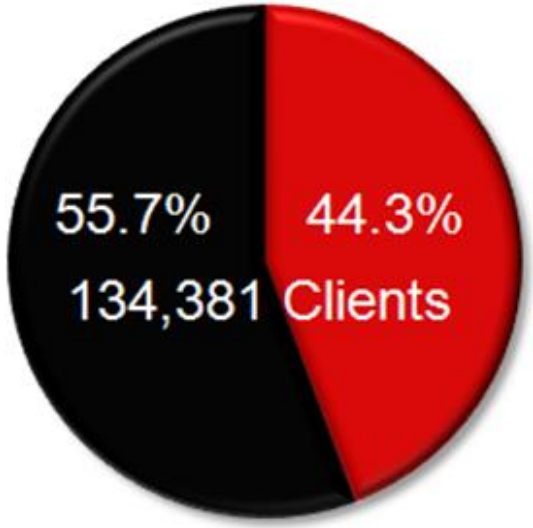
KFS Improves Profitability

"TKC BAST 2010"
Financial Statements in Jan.-Dec. 2009
224,595 Corporations

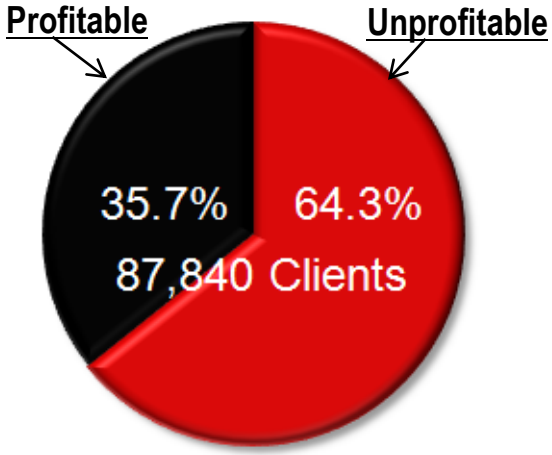
"TKC BAST 2009"
Financial Statements in Jan.-Dec. 2008
226,771 Corporations

% Profitable Clients with KFS





% Profitable Clients w/o KFS



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

In Summary (2)

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
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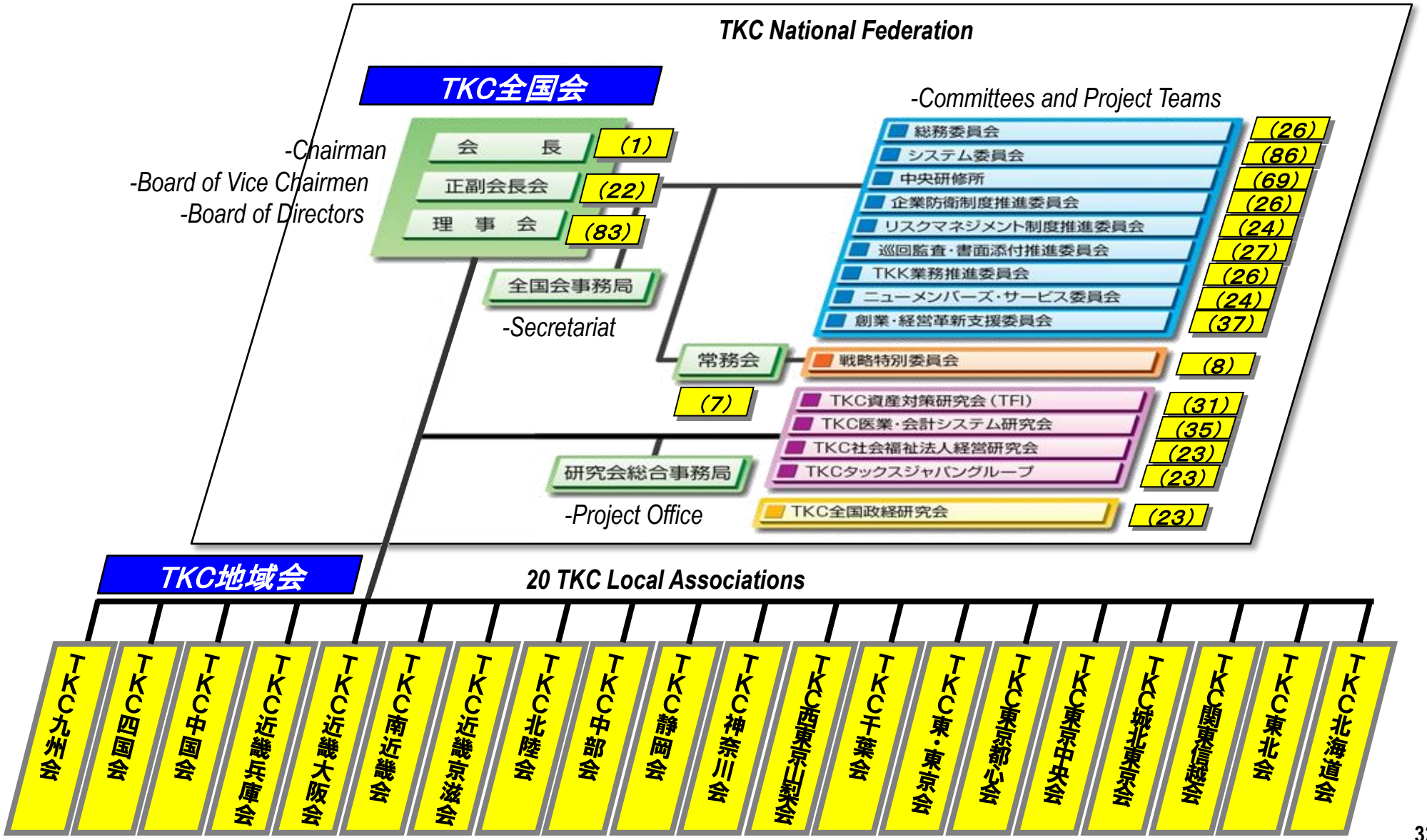
10. TKC History of Innovation P 41
11. FX2 Development Policy P 42

Organization of TKC National Federation

600 TKC Members drive the Federation



Monthly Field Audit

TKCNF Member's Obligation

"Business Standard of TKC National Federation"

Chapter 3-2

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 bisiness 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 Authoritativeness Principle

Tax Returns led from Financial Statements

based on financial statements approved at a general meeting of stockholders

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・Massgeblichtkeitsprinzip (Germany)
- IFRS (IAS) makes it difficult to maintain this method.

Evidence Power of Books

Account Books have the Evidence Power in Taxation

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

The Mission and Services

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

"Genuine Facts and Due Attention"

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.

Tax Audit Report (Attached Document)

CPTA Act Article 33-2

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.

“Jiri-Rita”

Microsoft Mission Statement

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. ”

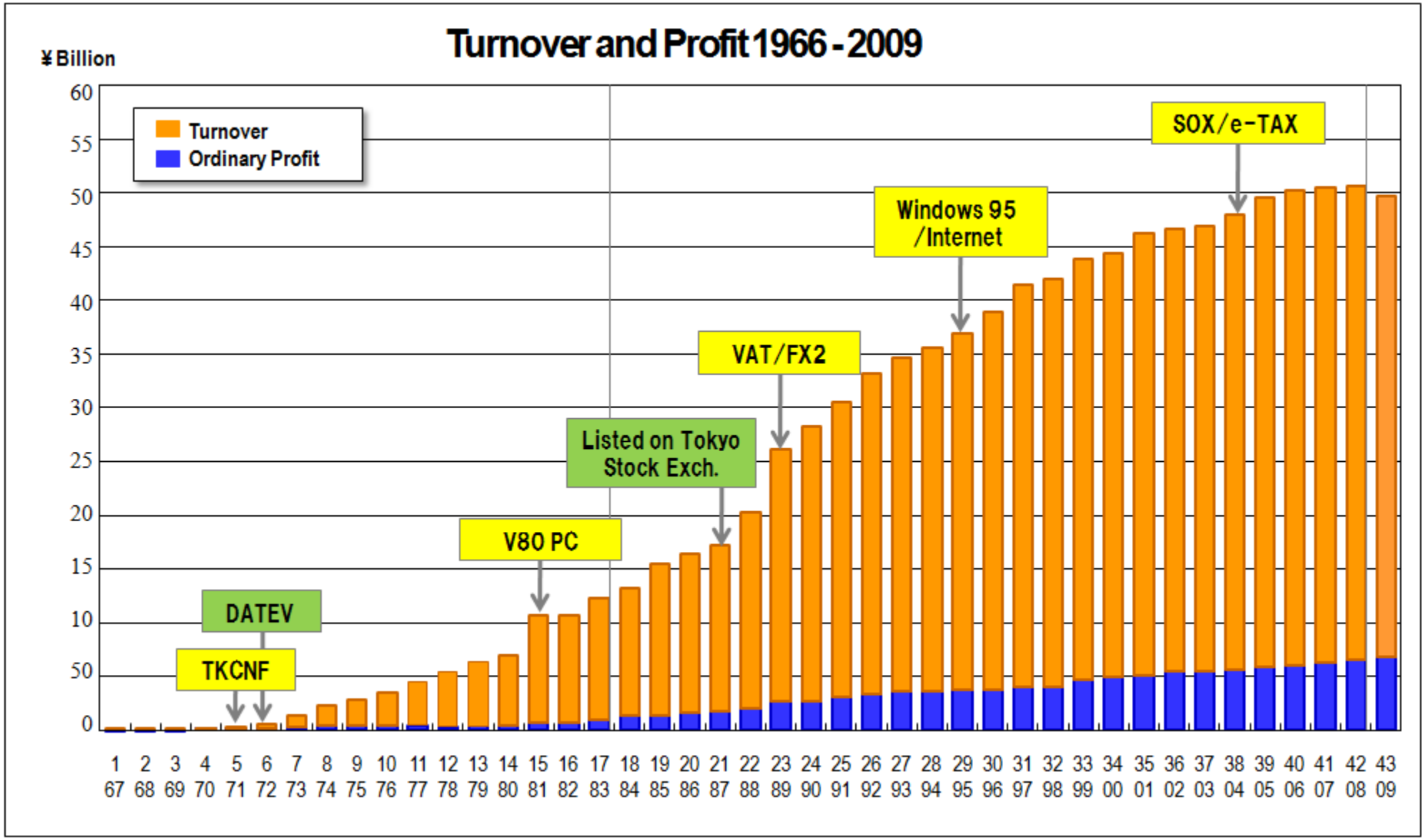
Mr. Steven A. Ballmer
Microsoft CEO

Mr. Masaharu Iizuka
TKC Chairman

June 25, 2002 at TKC Tokyo Head Office

TKC History of Innovation

"Exploit Change as an Opportunity"



FX2 Development Policy
3 Layers Structure

Level	Objectives	Function needed
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 sycle	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

Stanford University Seminar

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