

Quarterly Report

(54th Term 2nd Quarter)

Started January 1, 2020

Ended March 31, 2020

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Term & Period	53rd Term 2nd quarter consolidated cumulative period	54th Term 2nd quarter consolidated cumulative period	53rd Term
Accounting period	Started October 1, 2018; ended March 31, 2019	Started October 1, 2019; ended March 31, 2020	Started October 1, 2018; ended September 30, 2019
Net sales (millions of yen)	31,936	35,137	66,120
Ordinary income (millions of yen)	4,850	7,149	9,669
Quarterly (current) net income attributable to owners of parent (millions of yen)	3,466	4,712	6,721
Quarterly comprehensive income or comprehensive income (millions of yen)	2,481	4,112	4,082
Net assets (millions of yen)	72,730	75,144	73,121
Total assets (millions of yen)	91,023	95,412	96,989
Quarterly (current) net income per share (yen)	131.45	179.32	255.52
Quarterly (current) diluted net income per share (yen)	130.92	—	255.01
Equity ratio (%)	78.3	78.8	73.8
Cash flows from operating activities (millions of yen)	3,651	2,726	10,550
Cash flows from investing activities (millions of yen)	(1,932)	(6,702)	411
Cash flows from financing activities (millions of yen)	(2,123)	(1,545)	(3,792)
Balance of cash and cash equivalents at end of quarter (millions of yen)	18,864	21,289	26,810

Term & Period	53rd Term 2nd quarter consolidated accounting period	54th Term 2nd quarter consolidated accounting period
Accounting period	Started October 1, 2019; ended March 31, 2019	Started January 1, 2020; ended March 31, 2020
Quarterly net income per share (yen)	87.09	118.65

- (Notes)
- Changes in key financial data, etc. of the Company are not stated here, as they are included in the Company's quarterly consolidated financial statements.
 - Net sales do not include consumption taxes (consumption tax and local consumption tax; hereinafter the same).
 - The Company introduced the Board Incentive Plan (BIP) Trust starting from the 2nd quarter consolidated accounting period of the 53rd Term, and recorded the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly (current) net income per share for the 54th Term 2nd quarter consolidated cumulative period and for the 53rd Term, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.
 - The quarterly diluted net income per share for the current 2nd quarter consolidated cumulative period is not stated as there were no dilutive shares.

2 [Description of Business]

There are no significant changes in the description of business operated by the TKC Group (TKC Corporation and its affiliated companies) for the current 2nd quarter consolidated cumulative period. There are no changes in the major affiliated companies.

Part 2 [Business Overview]

1 [Risk Factors]

There are no risks pertaining to new business operations, etc. arisen during the current 2nd quarter consolidated cumulative period. There are no significant changes in risks regarding business operations, etc. described in the annual securities report of the previous fiscal year.

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

I. Operating Results

The operating results for the current 2nd quarter consolidated cumulative period (hereinafter, “the current 2nd quarter”) of the consolidated Group comprising of TKC Corporation and its six consolidated subsidiaries, etc. recorded a net sales of 35,137 million yen (increased 10.0% year-on-year), operating income of 6,991 million yen (increased 49.4% year-on-year), ordinary income of 7,149 million yen (increased 47.4% year-on-year), and quarterly net income attributable to owners of parent of 4,712 million yen (increased 36.0% year-on-year).

This was earned mainly by the Accounting Firm Business Division, attributable to factors such as increase in the number of users of financial accounting systems that meet the requirements of the Electronic Books Maintenance Act of Japan, increase in the number of users of ASP1000R electronic tax filing system for corporations in response to the electronic filing of income taxes now mandated to large corporations, and the continuing demand for PC replacements in response to the termination of Windows 7 support. In addition, as to the Local Governments Business Division, increase in sales from consulting services resulting from the completion of change-over of mission-critical systems for orders from new customers won during the previous fiscal year, and increase in sales from service fees related to the common tax payment system for local taxes launched in October 2019 were also contributing factors.

The impacts of the novel coronavirus disease (COVID-19) on the business results in the current 2nd quarter was small, despite decreases in sales from consulting services, selling expenses and meeting expenses due to cancellation of seminars, etc., and decrease in employees’ travel expenses.

Net sales for the current 2nd quarter by business division are shown below.

1. The business results of the Group for the 2nd quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD were 23,510 million yen (increased 6.3% year-on-year); operating income was 5,364 million yen (increased 18.7% year-on-year). The breakdown is as follows:

- (i) Sales from computer services increased by 2.9% year-on-year. This was attributable to growth in number of users of the FX4 Cloud Integrated Accounting Information System for mid-size companies, Office Management System (OMS Cloud) for Tax Accounting Firms, and OMS Mobile which allows accounting firms to access and perform works using the OMS from outside the office with a highly secure environment.
- (ii) Software sales increased by 4.5% year-on-year. As stated above, this is the result of increase in the number of users of financial accounting systems that meet the requirements of the Electronic Books Maintenance Act of Japan as well as increase in the number of users of our electronic tax filing system for corporations (ASP1000R) in response to the electronic filing of income taxes now mandated to large corporations.
- (iii) Hardware sales increased by 42.7% year-on-year. This was caused by continuing demands for PC replacements in response to the termination of Windows 7 support by Microsoft in January 2020.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD were 9,830 million yen (increased 23.7% year-on-year); operating income was 1,653 million yen (increased 1,534 million yen year-on-year). The major improvement in operating income year-on-year was due to increase in software sales from system revision works in response to legal amendments, and decrease in hardware sales involving purchases. The breakdown is as follows:

- (i) Sales from computer services increased by 17.7% year-on-year. This was driven by increase in data center usage fees for the use of TASK Cloud Local Taxes Electronic Filing Support Service in response to the launch of the common tax payment system for local taxes.
- (ii) Software sales increased by 65.2% year-on-year. This was due to increase in sales from system revisions, etc. in response to the free preschool education & nursing subsidy program.
- (iii) Sales from consulting services decreased 2.9% year-on-year. This was attributable to decrease in revenue from equipment installation services, etc. as a result of decrease in hardware sales, despite increased sales related to the change-over and implementation of mission-critical systems for orders from new customer agencies won during the previous fiscal year.

- (iv) Hardware sales decreased by 30.4% year-on-year. This was due to the absence of the renewal of Basic Resident Registration Network System-related devices during this quarter, for which orders concentrated during the 2nd quarter in the previous fiscal year.

(3) Net sales of the Printing Business Division (Subsidiary: TLP Corporation)

Net sales of the Printing BD were 1,796 million yen (decreased 4.5% year-on-year); operating loss was 17 million yen (operating income of 34 million yen in the 2nd quarter of the previous fiscal year). The breakdown is as follows:

- (i) Sales of products related to data printing service (DPS) increased by 3.0% year-on-year. While orders for direct mail productions, etc. from private enterprises decreased, sales increased as a result of increase in orders for notice-related services from municipalities, government authorities, extra-government organizations, etc.
- (ii) Sales of printing of commercial arts (catalogs, flyers, books, etc.) decreased by 21.4% year-on-year due to decrease in orders.

2. Important matters with respect to the Company as a whole

(1) Response to the novel coronavirus

In light of the spread of the novel coronavirus infections and the anticipated long-term impacts, the Company has adopted preventive measures against the infectious disease within the Company, and in addition, provides the following initiatives to support our users, namely the accounting firms and their clients, and local governments in continuing their operations.

- (i) Through the websites of TKC Member firms, we began a service to provide SMEs information on how to handle emergency financing issues. This has enabled clients of accounting firms to check the support policies by the Japanese government and government-affiliated financial institutions as well as support programs for emergency financing issues offered by prefectures, municipal governments and private financial institutions under the four categories of financing, employment, taxation, and subsidies. (Started March 11, 2020)
- (ii) To help companies facing fund shortage due to the impacts of the spread of the novel coronavirus infections, we added a function on the OMS Cloud for Accounting Firms that automatically determines which emergency financing policies could be applied to their clients. (Started offering on April 15, 2020)
- (iii) For local governments, we leased out free of charge a set of equipment necessary for web meetings (LCD display, speaker phone, web camera) to about 190 agencies that are users of our mission-critical operation systems, etc. so as to provide continuous support even in a situation where our staff cannot visit. (The end of March 2020)
- (iv) We enhanced our cloud services, business form output services, and call center services through help desks, etc. for accounting firms and local governments, strengthening our efforts for business continuity (dispersed processing and remote operation at multiple sites) to enable customers to use our services with a sense of security. (April 2020)
- (v) As relief money, the Company donated 300 million yen, and Masaharu Iizuka, Chairman Emeritus, and Mrs. Runako Iizuka, wife of the founder of the Company each donated 100 million yen as individuals to Tochigi prefecture to be used to prevent the collapse of the medical system due to the escalating novel coronavirus infections. (April 20, 2020)

The Company also donated a total of 169 million yen as relief money to our client agencies (130 municipalities) to be used to help prevent the collapse of the medical system. (April 30, 2020)

(2) Establishment of a new organization within the Local Governments Business Division

As of April 1, 2020, the Company established a new organization dedicated to quality control (Quality Control Center), and began implementing measures to improve and enhance quality on a continuous basis.

(3) Transfer of shares without charge by the Chairman Emeritus of the Company to TKC Members

In March 2020, Masaharu Iizuka, Chairman Emeritus, transferred, without charge, the common shares of the Company personally owned by himself to 142 TKC Members who practice Shomen-tempu (attachment of tax audit reports) pursuant to Article 33-2 of the Certified Public Tax Accountant Act of Japan.

This transfer without charge will be conducted for five years from March 2018 to March 2022, transferring up to one million shares of the Company. TKC Members who promote Shomen-tempu are eligible, and the transfer without charge was made to a total of 984 Members in the past three years.

Masaharu Iizuka, together with his brother late Kazuaki Iizuka (former vice president of the Company), had also transferred, without charge, a total of three million common shares of the Company owned in person to 6,657 TKC Members in 2006.

3. Business activities and operating results of the Accounting Firm Business Division

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: Management of electronic data processing centers to defend the business domain and maintain control over the fate

of accounting firms) and works under close ties with the TKC National Federation, which consists of 11,400 certified public tax accountants and certified public accountants (as of March 31, 2020) that are customers of TKC (hereinafter, "TKC Members").

TKCNF was established in 1971 and is engaged in various activities in an aim to realize the following six business objectives:

- 1) Realize tax justice;
- 2) Conduct tax consultant business completely;
- 3) Support SMEs for their prosperity and success;
- 4) Enhance managerial infrastructure of TKC Member firms;
- 5) Make full use of TKC systems;
- 6) Promote mutual enlightenment, support and friendship.

(Note) For more information on the TKC National Federation, see the booklet "All About TKC National Federation" or visit the TKC Group website (<http://www.tkc.jp/>).

(1) Activities of the TKC National Federation ("TKCNF")

TKCNF announced its 3-year activity policy from 2019 to 2021 and Strategic Targets 2020 based on the policy agenda in view of its 50th anniversary (in 2021). The content is as follows:

[Activity policy to change society with the TKC brand]

- (i) Promote Shomen-tempu (attachment of tax audit reports) by the TKC methods (FY2020 year-end target: Corporate Shomen-tempu by 144,000 companies)
- (ii) Promote TKC Monitoring Information Service (FY2020 year-end target: 140,000 companies, 245,000 cases)
- (iii) Promote self-accounting practice by the TKC methods (FY2020 year-end target: 285,000 companies)

In addition, as the initiatives of TKCNF are beginning to draw the attention of many financial institutions, the following measures have been launched to take advantage of this opportunity to further enhance the managerial infrastructure of TKC Member firms:

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

(2) Activities to achieve the strategic goals of the Accounting Firm Business Division

The Company operates to achieve the Strategic Targets 2020 in collaboration with TKCNF.

(i) Promotion of TKC Monitoring Information Service

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

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

- 1) Supporting documents submitted by TKC Members as provided for under Article 33-2 of the Certified Public Tax Accountant Act of Japan
- 2) Certificate of Bookkeeping Timeliness, with which TKC Corporation certifies the timeliness in the preparation of accounting books as required under Article 432 of the Companies Act of Japan and the connection between the financial statements and tax returns for the past three years
- 3) The Chusho Kaikei Yoryo checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and Japan Federation of Credit Guarantee Corporations

As a result of these activities, the number of financial institutions adopting this Service is increasing rapidly, adopted by 446 financial institutions including all local banks throughout Japan (64 institutions) as of March 31, 2020. Also, over 200,000 companies provided their financial statements, etc. to financial institutions in January 2020.

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

TKC has incorporated the 365 Days Variable Income Statement and other strategic functions in the FX series to assist the strategic decision-making by the management of clients. In addition, in response to the advancement of ICT in recent years, the Company has begun providing functions that enable management of clients to check its latest business results from a smart phone any time and any place (Smart Business Results Verification Functions). In order for management to utilize these functions, accounting personnel need to input the accounting transaction data in a timely and efficient manner, so the Company develops and provides functions that can receive bank deposit transaction data through Internet banking and generate journal entries automatically (Bank Credit Data Receiving Functions). Through these functions, the management of clients can check their latest business results whenever they please. However, the number of users were limited as it required additional configuration to use these functions.

Meanwhile, SMEs will also be subject to the Revised Labor Standard Act from April 2020, and they are faced with the need to reform their working practices. In such environment, during the current 2nd quarter under review, the Company formulated a policy to provide system utilization support to clients using the FX Series and began engaging in activities in which the employees of the Company work together with TKC Member firms to provide generous support from system launch through to utilization. Through such activities, the Company works to provide clients with an accounting environment using the latest ICT to support the improvement of their productivity.

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

Under the FY 2018 tax reform, provisions were added in which a tax benefit of 100,000 yen in special reduction for blue income tax returns shall be offered if the declarer 1) is subject to the Electronic Books Maintenance Act of Japan for bookkeeping, or 2) files the income tax return electronically. This is a groundbreaking revision that offers favorable tax treatment for business entities that keep the history of revisions and deletions to the book record, which serves as basis of tax returns in accordance with the Electronic Books Maintenance Act of Japan. We anticipate that the same treatment will be applied to the filing of corporate taxes in the future.

Also, last year the Company became the first among its competitors to acquire the certification under the Electronic Books Software Legal Compliance Certification System by Japan Image and Information Management Association (JIIMA) for its FX series and other systems. Through the promotion of the certified FX series, etc., we support complete compliance with the Electronic Books Maintenance Act of Japan.

(iv) Soliciting new members (promotion of joining TKCNF)

TKCNF is engaged in a project to increase TKC membership to over 10,000 firms by the end of September 2021. The Company is working closely with the New Members Service Committee, etc. of TKCNF in soliciting new members to achieve the goal.

During the current 2nd quarter, we solicited new members through seminars held for non-members targeting medium- and large-sized firms as well as certified public tax accountants and certified public accountants who plan to begin private practice.

As a result of these activities, the number of TKC Members totaled approximately 9,700 accounting firms and 11,400 accountants as of March 31, 2020. The difference in numbers of firms and accountants are because some firms have multiple accountants who are members.

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

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

The TKCNF recommends the use of Basic Guidelines with Respect to the Accounting Procedures at Small- and Medium-sized Enterprises (hereinafter, "Chusho Kaikei Yoryo" (Guidelines for SME Accounting)) formulated in February 2012 with which SME clients should comply.

These Guidelines have been formulated based on the following principles: 1) accounting that helps to grasp the company's business situation; 2) accounting that contributes to providing information to stakeholders (financial institutions etc.); 3) accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system; and 4) accounting that does not place excessive burden on SMEs.

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

(ii) Issuance of Certificate of Bookkeeping Timeliness

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

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

guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed by a one-stop, full line process in a timely manner.

(4) Expansion into large-scale enterprise market

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

As systems to supplement these activities, the Company provide the TKC Consolidated Group Solution package (which includes: the eCA-DRIVER consolidated accounting system, the eConsoliTax consolidated tax payment system, the eTaxEffect tax effect accounting system, the ASP1000R electronic tax filing system for corporations, the FX5 integrated accounting information system, the e-TAX series electronic tax filing system, the FAManager non-current asset management system, the TDS documented evidence storage service, the OBMonitor overseas business monitoring system, etc.).

Under the FY2018 tax reforms, large enterprises with a capital of 100 million yen or greater will be mandated to use electronic filing of income tax, local taxes and consumption tax starting April 2020. With this reform, large sized companies must file their income tax returns electronically, as well as submit any attachments to tax returns (financial statements, statement classified by accounting items, etc.) in electronic data form. According to statistics of the National Tax Agency, electronic filing of corporate income tax was conducted by 2,268,473 companies in FY2018. While the percentage of companies using the electronic filing system was 84.3%, only 66.1% of large sized companies uses electronic tax filings. This means that many of the large enterprises to which electronic filing will be mandated will be using the electronic filing system for the first time. To enable these companies to switch smoothly to the mandated electronic filing system, the Company released the Guidebook on Complying with Mandatory Electronic Filing on the Company's website, held seminars, and offered opportunities to experience electronic tax filing in collaboration with TKCNF's Medium- and Large-sized Companies Support Council (1,411 members as of March 31, 2020). We also entered into alliance agreements with four ERP vendors, working on the development of systems linking to financial statements data. As a result, the number of users of ASP1000R electronic tax filing system for corporations reached 3,170 companies as of March 31, 2020.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 4,000 corporate groups as of March 31, 2020. Our taxation-related information systems are adopted by 86% of the 100 largest Japanese listed companies by sales amount. The market shares among Japanese listed companies reached 32%.

(5) Expansion of markets for legal information database services

The LEX/DB Internet legal information database, developed originally by the Company, maintains an archive of over 306,000 judicial precedents, decisions, etc. as of March 31, 2020, covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently published, being the largest database of its kind in Japan.

The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 952,000 bibliographic information references with links to 60 of the legal information databases operated by 18 specialized legal publishers (including Gyosei Corporation, Nippon Hyoron-Sha Co., Ltd., Yuhikaku Publishing Co., Ltd., Chuokeizai-Sha, Inc., Hanrei Times Co., Ltd., and Japan Institute of Business Law) with total accessible number of information now exceeding 2,640,000 items.

(i) Increase of user base of TKC Law Library

The Company engaged in sales promotions for the TKC Law Library, highlighting its usefulness in business operations and putting together judicial precedents, laws and regulations, bibliographic information references, and also contents of specialized law magazines that are useful for business practices into customer-specific packages (Law Firm Package for law firms, Corporate Legal Package for corporate legal departments).

In the current 2nd quarter, as a result of active promotional activities towards TKC Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments, the number of users exceeded 51,000 IDs and the Library is used by over 22,000 institutions as of March 31, 2020.

(ii) Progress in the academic market

The Company proposes the implementation of system-based early learning support programs to 54 law schools using the TKC Law School Educational and Research Support System and supports such schools in applying for the Public Support Program for Law Schools Concerning the Revision of Budget Distribution initiative by the Ministry of Education, Culture, Sports, Science and Technology. We also added services that correspond with the Legal Profession Course that universities will begin offering in April 2020, which combines three years of undergraduate studies in law and two years of master's course in law, enabling students to take the bar exam in 5 years.

Also, we conducted sales promotional activities for the Civil Service Examination Study Tool for undergraduates and concluded contracts with 23 universities as of March 31, 2020. The Company will continue to expand the number of monitor user universities and promote switching to full use.

4. Business Activities and Operating Results of the Local Governments Business Division

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

(1) Development and provision of mission-critical system-related services

The Japanese government is accelerating its actions to promote the implementation of cloud systems, setting a target to have approximately 1,600 agencies using cloud (of which, approximately 1,100 agencies to be users of local government cloud systems) by the end of FY2023.

The Company provides TKC Government Cloud Service to municipalities (mainly for cities, wards, towns and villages). This Cloud Service consists of the TASK Cloud Service which supports mission-critical functions and information services within agencies, and the TASK Outsourcing Service which supports massive batch output and processing of tax papers and other documents.

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers that allows the shared use of cloud across Japan, attracting attention as a local government cloud system promoted by the Ministry of Internal Affairs and Communications and, as to mission-critical systems, adopted by nine groups nationwide for shared use.

In the current 2nd quarter, we supported agencies that newly implemented our services and are scheduled for a full-scale launch after April 2020 in enabling smooth system transition, while enhancing the functions of various systems. In particular, for the Welfare Consultation Support System, we promoted the development of new functions (scheduled to begin offering in April 2020) to support streamlining of record preparation and smooth sharing of information between relevant parties based on the F-SOAIP lifestyle support recording method(*).

As a result of aggressive promotional activities together with the seven partner companies across Japan with whom we have on-going alliance partner agreements, our mission-critical systems are adopted by over 150 agencies nationwide as of March 31, 2020.

* About lifestyle support recording method F-SOAIP

F-SOAIP is a progress recording method developed for the purpose of creating a common language among the areas of welfare, nursing care, and health care. It can standardize terms/expressions to be used in recording necessary information in itemized format, which is drawing attention because it allows users to record the progress of support in an efficient and accurate manner and to facilitate sharing of information among relevant parties.

(2) Expansion of cloud services for residents

The service of Issuance of Certificates at Convenience Store, as an example of promoting the utilization of My Number Cards, is increasing rapidly throughout the nation with more than 700 municipalities adopting the service for over 100 million users. In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System as the system to realize this service. Also, the TASK Cloud Easy Counter Service System that uses the features of this System gains a good reputation, and through proposals to use these systems, the Company supports the enhancement of resident services and counter service reforms of municipalities.

In the current 2nd quarter, we supported the nine towns of the Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (Administrator Yuji Yukawa, Mayor of Yamakita Town) in preparation for the sequential launch and smooth system operation of the Convenience Store Certificate Issuing Service using the Company's systems. We also participated in the Demonstration Experiment for the Improvement of Counter Services Using ICT (Smart Counter Services) conducted by Nara City in Nara Prefecture, and engaged in the research and development of a new smart counter services system around our Easy Counter Service System as core.

In addition, as a result of various functional enhancements and aggressive promotional activities, the Convenience Store Certificate Issuing System is adopted by over 110 agencies nationwide including government ordinance-designated cities such as Kobe and Kitakyushu, and the Easy Counter Service System is adopted by approximately 10 agencies as of March 31, 2020.

(3) Response to digitization of local tax administrations

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

These services are proposed in collaboration with 50 partner companies nationwide with whom we have on-going alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is currently used by more than 770 agencies which account for more than 40% of all prefectures and local municipalities as of March 31, 2020.

In the current 2nd quarter, we engaged in the enhancement and expansion of functionalities of related systems and active promotional activities for data connection services.

(4) Response to standardized local public accounting

Municipalities are required to adopt the system of accrual basis accounting (double entry bookkeeping) to replace the current cash basis accounting (single entry bookkeeping), and to prepare and disclose their financial documents, etc. as well as to utilize such data for administrative operations.

In order to support this, the Company provides the TASK Cloud Public Accounting System, which is compatible with the daily journalizing method encouraged by the Japanese government, and its related systems TASK Cloud Non-current Assets Control System and TASK Cloud Consolidated Financial Statement Preparing System.

In the current 2nd quarter, the Company provided support for the smooth system operation to 13 agencies of the 51 agencies (7 cities, 26 towns, 4 villages, and 14 partial-affairs associations) that are members of the Kagoshima Prefecture Municipal Association, Kumamoto Prefecture Municipal Association, Nagasaki Prefecture Municipal Administration Promotion Council, and Kyoto Prefecture Municipal Information Promotion Council, as well as to newly transitioning agencies. We also engaged in the development and enhancement of various functions to support the visualization and utilization of local public accounting information as well as in aggressive promotional activities. As a result, our public accounting systems are adopted by more than 250 agencies as of March 31, 2020.

(5) Response to digitalization of administrative services

In May 2019, the Law for Partial Revision to the Act on Use of Information and Communications Technology in Administrative Procedure, etc. for the Improvement of Convenience of Related Parties Engaged in Administrative Procedure Using Information and Communications Technology and for the Promotion of Simplifying and Streamlining Administrative Operations (Digital Administrative Procedures Act) was enacted, which allows all administrative procedures in general to be conducted on-line. Also under the Digital Government Implementation Plan that the Japanese cabinet approved in December 2019, some procedures that local governments should prioritize in conducting on-line were indicated.

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

In the current 2nd quarter, we engaged in the verification of functions of the TASK Cloud My Number Card Issuance Reservation and Management System with the cooperation of two agencies and continued with the development in view of the service launch (scheduled in March 2020).

Furthermore, our sales, development and operation divisions collaborated under the leadership of the System Planning Department in gathering and communicating information related to the digitalization of administrative services, as well as conducting surveys, research and development of next generation solutions including the Smart Filing System (scheduled to be provided in summer of 2020) which support efforts of improving resident services and improving administrative efficiency and standardization under Society 5.0.

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

The Group's Printing BD operates with the main focus on data print services (DPS) and business form printing.

In the area of DPS, despite decrease in orders for direct mail productions from private enterprises, sales increased year-on-year as a result of increase in orders for notice-related services from municipalities, government authorities, and extra-government organizations.

In the area of business form printing, sales slightly decreased year-on-year due to ongoing decline in demands for business forms.

In the area of printing of commercial arts (catalogs, flyers, booklets, books, etc.), sales decreased year-on-year due to decrease in demands for paper media with the popularization and advancement of browsing, etc. of electronic data.

II. Financial Conditions

Assets, liabilities and net assets at the end of the current 2nd quarter consolidated accounting period are stated below.

1. Assets

Total assets as of the end of the current 2nd quarter consolidated accounting period amounted to 95,412 million yen, a 1,577 million yen decrease compared to 96,989 million yen as of the end of the previous consolidated fiscal year.

(1) Current assets

Current assets as of the end of the current 2nd quarter consolidated accounting period amounted to 36,121 million yen, a 4,952 million yen decrease compared to 41,073 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to 5,321 million yen decrease in cash and deposits, despite a 942 million yen increase in notes and accounts receivable.

(2) Non-current assets

Non-current assets as of the end of the current 2nd quarter consolidated accounting period amounted to 59,291 million yen, a 3,375 million yen increase compared to 55,915 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to 4,100 million yen increase in long-term deposits, despite a 460 million yen decrease in investment securities and 317 million yen decrease in intangible assets.

2. Liabilities

Total liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 20,267 million yen, a 3,600 million yen decrease compared to 23,868 million yen as of the end of the previous consolidated fiscal year.

(1) Current liabilities

Current liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 13,828 million yen, a 2,449 million yen decrease compared to 16,278 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to decrease of 1,035 million yen in accounts payable, decrease of 680 million yen in consumption tax payable included in accounts payable–other, and decrease of 619 million yen in provision for bonuses.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 6,439 million yen, a 1,151 million yen decrease compared to 7,590 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 1,117 million yen in retirement benefit liabilities.

3. Net assets

Total net assets as of the end of the current 2nd quarter consolidated accounting period amounted to 75,144 million yen, a 2,023 million yen increase compared to 73,121 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 3,256 million yen increase in retained earnings and a 877 million yen increase in capital surplus, despite a 1,504 million yen decrease in non-controlling interests and a 664 million yen decrease in valuation difference on available-for-sale securities.

Equity ratio as of the end of the current 2nd quarter consolidated accounting period was 78.8%, a 4.9 percentage point increase compared to the ratio of 73.8% as of the end of the previous consolidated fiscal year.

III. Cash Flows

The balance of cash and cash equivalents as of the end of the current 2nd quarter consolidated accounting period amounted to 21,289 million yen, a 5,521 million yen decrease compared to the end of the previous consolidated fiscal year.

The overview of cash flows for the current 2nd quarter consolidated accumulative period and major factors contributing to the results are as follows:

(1) Cash flows from operating activities

Cash flows from operating activities increased by 2,726 million yen (925 million yen decrease in revenue year-on-year). Major factors include the recognition of 7,144 million yen in quarterly net income before taxes and adjustments, a decrease of 993 million yen in retirement benefit liabilities, and an increase of 1,565 million yen in notes and accounts receivable–trade.

(2) Cash flows from investing activities

Cash flows from investing activities decreased by 6,702 million yen (4,770 million yen increase in spending year-on-year). Major factors include expenditure of 5,800 million yen into time deposits, revenue of 1,500 million yen from withdrawal of time deposits, expenditure of 623 million yen for the acquisition of tangible fixed assets, expenditure of 507 million yen for the acquisition of intangible fixed assets, and an expenditure of 593 million yen for the acquisition of shares of subsidiaries.

(3) Cash flows from financing activities

Cash flows from financing activities decreased by 1,545 million yen (577 million yen decrease in spending year-on-year). Major factors include the payment of 1,452 million yen for year-end dividends as of the end of September 2019 (a dividend of 55 yen per share).

IV. Operational and Financial Challenges Facing the TKC Group

There are no significant changes in challenges faced by the TKC Group during the current 2nd quarter consolidated cumulative period.

V. Research and Development Activities

There were no research and development expenses spent by the TKC Group during the current 2nd quarter consolidated cumulative period.

There are no significant changes in the status of research and development activities of the TKC Group during the current 2nd quarter consolidated cumulative period.

3 [Material Agreements, etc.]

There has been no decision or conclusion of material agreements, etc., during the current 2nd quarter consolidated accounting period.

Part 3 [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	60,000,000
Total	60,000,000

(ii) [Issued shares]

Class	Number of shares issued as of the end of 2nd quarter accounting period (shares) (March 31, 2020)	Number of shares issued as of the filing date (shares) (May 7, 2020)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	26,731,033	26,731,033	First Section of the Tokyo Stock Exchange	Number of shares consisting a unit: 100 shares
Total	26,731,033	26,731,033	—	—

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

None to be disclosed.

(ii) [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)
From January 1, 2020 To March 31, 2020	—	26,731,033	—	5,700	—	5,409

(5) [Major shareholders]

As of March 31, 2020

Names of shareholders	Address	Number of shares held (hundreds of shares)	Percentage of shares held to total number of issued shares (excluding treasury stock) (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	37,530	14.2
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	25,690	9.7
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	15,465	5.8
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	15,242	5.8
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	12,543	4.7
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS (Standing proxy: The Hong Kong & Shanghai Banking Corporation)	50 Bank Street, Canary Wharf, London E14 5NT, UK (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	10,823	4.1
Masaharu Iizuka	Utsunomiya-shi, Tochigi	8,598	3.2
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	7,792	2.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	6,664	2.5
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hong Kong & Shanghai Banking Corporation, Tokyo Branch)	One Lincoln Street, Boston, MA, USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	5,991	2.3
Total	—	146,340	55.3

(Note) The 189,700 shares of the Company held by the BIP Trust are not included in the treasury stocks to be deducted in calculating the percentage of shares held to the total number of issued shares.

(6) [Voting rights]

(i) [Shares issued]

As of March 31, 2020

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 263,100	—	—
Shares with full voting right (others)	Common stock 26,396,900	263,969	—
Shares less than one share unit	Common stock 71,033	—	—
Total number of shares issued	26,731,033	—	—
Total voting rights held by all shareholders	—	263,969	—

(Note) Shares with full voting right (others) includes 600 shares (6 units of voting rights) registered in the name of Japan Securities Depository Center, Inc., and 189,700 shares (1,897 units of voting rights) owned by the BIP Trust.

(ii) [Treasury stock, etc.]

As of March 31, 2020

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	263,100	—	263,100	0.98
Total	—	263,100	—	263,100	0.98

(Note) In addition to the above, the 189,700 shares owned by the BIP Trust are recorded as treasury stocks in the quarterly consolidated financial statements.

2 [Officers]

There has been no change in the officers during the current quarter cumulative period since the date of submission of the Annual Securities Report for the previous fiscal year.

Part 4 [Financial Information]

1. Method of Preparing Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements of the Company have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007).

2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 2nd quarter consolidated accounting period (from January 1, 2020 to March 31, 2020) and the 2nd quarter consolidated cumulative period (from October 1, 2019 to March 31, 2020) have been audited on a quarterly basis by Ernst & Young ShinNihon LLC pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

1 [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2019)	Current 2nd quarter consolidated accounting period (March 31, 2020)
Assets		
Current assets		
Cash and deposits	29,810	24,489
Notes and accounts receivable–trade	8,755	9,697
Inventories	*1,090	*762
Other	1,459	1,211
Allowance for doubtful accounts	(41)	(40)
Total current assets	41,073	36,121
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	8,404	8,255
Land	6,892	6,892
Other (net amount)	2,666	2,532
Total property, plant and equipment	17,963	17,679
Intangible assets	3,290	2,973
Investments and other assets		
Investment securities	15,527	15,066
Long-term deposits	9,500	13,600
Guarantee deposits	1,339	1,423
Other	8,294	8,547
Total investments and other assets	34,661	38,638
Total non-current assets	55,915	59,291
Total assets	96,989	95,412
Liabilities		
Current liabilities		
Accounts payable–trade	3,602	2,567
Electronically recorded obligations–operating	916	907
Short-term loans payable	142	212
Accounts payable–other	3,924	2,542
Income taxes payable	2,450	2,485
Provisions for bonuses	3,600	2,980
Other	1,640	2,133
Total current liabilities	16,278	13,828
Non-current liabilities		
Long-term loans payable	438	366
Retirement benefit liabilities	4,764	3,647
Provisions for stocks payment	562	586
Other	1,825	1,838
Total non-current liabilities	7,590	6,439
Total liabilities	23,868	20,267

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2019)	Current 2nd quarter consolidated accounting period (March 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,711	6,588
Retained earnings	63,623	66,880
Treasury stock	(1,630)	(1,658)
Total shareholders' equity	73,404	77,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(83)	(748)
Accumulated remeasurements of defined benefit plans	(1,704)	(1,618)
Total accumulated other comprehensive income	(1,787)	(2,366)
Non-controlling interests	1,504	—
Total net assets	73,121	75,144
Total liabilities and net assets	96,989	95,412

(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]

[Quarterly consolidated statements of income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)	Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)
Net sales	31,936	35,137
Cost of sales	11,160	12,199
Gross profit	20,776	22,938
Selling, general and administrative expenses	*16,098	*15,946
Operating income	4,678	6,991
Non-operating income		
Interest income	15	19
Dividends income	63	70
Insurance dividends income	6	3
Land and house rent received	26	25
Equity in earnings of affiliates	13	—
Other	48	40
Total non-operating income	173	159
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	1	1
Ordinary income	4,850	7,149
Extraordinary income		
Gains on sales of non-current assets	0	0
Gain on reversal of subscription rights to shares	274	—
Other	5	—
Total extraordinary income	279	0
Extraordinary losses		
Loss on sale of non-current assets	10	—
Loss on retirement of non-current assets	5	4
Total extraordinary losses	15	4
Quarterly net income before taxes and adjustments	5,114	7,144
Income taxes—current	1,681	2,310
Income taxes—deferred	(46)	142
Total income taxes	1,635	2,452
Quarterly net income	3,478	4,692
Quarterly net profit (loss) attributable to non-controlling interests	12	(20)
Quarterly profit (loss) attributable to owners of parent	3,466	4,712

[Quarterly consolidated statements of comprehensive income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)	Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)
Quarterly net income	3,478	4,692
Other comprehensive income		
Valuation difference on available-for-sale securities	(996)	(666)
Remeasurements of defined benefit plans	—	85
Share of other comprehensive income of entities accounted for using equity method	(0)	—
Total other comprehensive income	(997)	(580)
Quarterly comprehensive income	2,481	4,112
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	2,470	4,134
Quarterly comprehensive income attributable to non- controlling interests	11	(22)

(3) [Quarterly consolidated statements of cash flows]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period1 (Started October 1, 2018; ended March 31, 2019)	Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)
Cash flows from operating activities		
Quarterly net income before taxes and adjustments	5,114	7,144
Depreciation	1,455	1,573
Loss (gain) on sale of non-current assets	10	(0)
Loss on retirement of non-current assets	5	4
Gain on reversal of subscription rights to shares	(274)	—
Increase (decrease) in provisions for stocks payment	527	24
Increase (decrease) in provisions for bonuses	(423)	(619)
Increase (decrease) in retirement benefit liabilities	121	(993)
Decrease (increase) in notes and accounts receivable– trade	(987)	(1,565)
Decrease (increase) in other assets	70	487
Increase (decrease) in accounts payable–trade	(102)	(1,039)
Increase (decrease) in other liabilities	(402)	(65)
Other	(42)	(75)
Subtotal	5,072	4,875
Interest and dividends received	160	99
Interest paid	(1)	(0)
Income taxes paid	(1,579)	(2,247)
Cash flows from operating activities	3,651	2,726
Cash flows from investing activities		
Payments into time deposits	(2,000)	(5,800)
Proceeds from withdrawal of time deposits	1,500	1,500
Purchase of property, plant and equipment	(977)	(623)
Purchase of intangible assets	(506)	(507)
Purchase of investment securities	(0)	(4,504)
Proceeds from redemption of investment securities	—	4,000
Purchase of subsidiary stock	—	(593)
Other	51	(172)
Cash flows from investing activities	(1,932)	(6,702)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	70	70
Repayment of long-term loans payable	(71)	(71)
Proceeds from disposal of treasury stock	753	0
Purchase of treasury stock	(1,359)	(31)
Payment of dividends	(1,448)	(1,452)
Payment of dividends to non-controlling interests	(16)	(11)
Other	(51)	(50)
Cash flows from financing activities	(2,123)	(1,545)
Increase (decrease) in cash and cash equivalents	(403)	(5,521)
Cash and cash equivalents at beginning of quarter	19,268	26,810
Cash and cash equivalents at end of quarter	*18,864	*21,289

[Notes to Financial Statements]

(Additional Information)

(Stock-based compensation plan for officers)

1. Outline of Transaction

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

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

2. Stocks of the Company remaining in trust

The stocks of the Company remaining in trust are recorded as treasury stock under Net Assets with the book values in the trust (not including expenses attributable thereto). The book value of said treasury stocks was 750 million yen for 189,700 shares as of the end of this current 2nd quarter consolidated accounting period.

(Notes to quarterly consolidated balance sheets)

* Breakdown of inventories is as follows:

	Previous consolidated fiscal year (September 30, 2019)	Current 2nd quarter consolidated accounting period (March 31, 2020)
Merchandise and finished goods	308 million yen	323 million yen
Work in progress	634 million yen	293 million yen
Raw materials and stored items	147 million yen	145 million yen

(Notes to quarterly consolidated statements of income)

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

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)	Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)
Salaries	5,591 million yen	5,754 million yen
Provision for bonuses	2,338 million yen	2,563 million yen
Retirement benefit expenses	352 million yen	541 million yen
Provisions for stocks payment	527 million yen	27 million yen
Depreciation	343 million yen	315 million yen
Rent expenses	1,116 million yen	1,131 million yen
Research and development expenses	— million yen	0 million yen

(Notes to the quarterly consolidated statements of cash flows)

* The relationship between the quarterly ending balance of cash and cash equivalents and account items stated in the quarterly consolidated balance sheets is as stated below.

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)	Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)
Cash and deposits	21,864 million yen	24,489 million yen
Time deposits with deposit period greater than three months	(3,000 million yen)	(3,200 million yen)
Cash and cash equivalents	18,864 million yen	21,289 million yen

(Notes to shareholders' equity, etc.)

I. Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 21, 2018 Ordinary General Meeting of Shareholders	Common stock	1,450	55	September 30, 2018	December 25, 2018	Retained earnings

(2) Of the dividends with record dates during the current 2nd quarter consolidated cumulative period, those with effective dates for the dividends after the end of the current 2nd quarter consolidated accounting period

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 8, 2019 Meeting of the Board of Directors	Common stock	1,453	55	March 31, 2019	June 10, 2019	Retained earnings

(Note) The total amount of cash dividends determined by resolution of the Board of Directors on May 8, 2019 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.

II. Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 20, 2019 Ordinary General Meeting of Shareholders	Common stock	1,456	55	September 30, 2019	December 23, 2019	Retained earnings

(Note) The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 20, 2019 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.

(2) Of the dividends with record dates during the current 2nd quarter consolidated cumulative period, those with effective dates for the dividends after the end of the current 2nd quarter consolidated accounting period

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 1, 2020 Meeting of the Board of Directors	Common stock	1,455	55	March 31, 2020	June 15, 2020	Retained earnings

(Note) The total amount of cash dividends determined by resolution of the Board of Directors on May 1, 2020 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.

(Segment information, etc.)

[Segment information]

I. Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)

Information on net sales and profit or loss for each reportable segment

(Unit: millions of yen)

	Reportable segment				Adjustments (Note 1)	Amounts in quarterly consolidated statements of income (Note 2)
	Accounting Firm BD	Local Governments BD	Printing BD	Total		
Net sales						
(1) Sales to outside customers	22,107	7,948	1,880	31,936	—	31,936
(2) Inter-segment sales or transfers	2	0	804	807	(807)	—
Total	22,109	7,948	2,685	32,743	(807)	31,936
Segment profit	4,519	119	34	4,673	4	4,678

(Notes) 1. Adjustments of segment profit of 4 million yen include amounts for elimination of inter-segment transactions and adjustment of inventory assets.

2. Segment profit is adjusted with the operating profit presented in the quarterly consolidated statements of income.

II. Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)

Information on net sales and profit or loss for each reportable segment

(Unit: millions of yen)

	Reportable segment				Adjustments (Note 1)	Amounts in quarterly consolidated statements of income (Note 2)
	Accounting Firm BD	Local Governments BD	Printing BD	Total		
Net sales						
(1) Sales to outside customers	23,510	9,830	1,796	35,137	—	35,137
(2) Inter-segment sales or transfers	6	0	891	897	(897)	—
Total	23,516	9,830	2,688	36,034	(897)	35,137
Segment profit (loss)	5,364	1,653	(17)	6,999	(8)	6,991

(Notes) 1. Adjustments of segment profit (loss) of 8 million yen include amounts for elimination of inter-segment transactions and adjustment of inventory assets.

2. Segment profit (loss) is adjusted with the operating profit presented in the quarterly consolidated statements of income.

(Earnings per share information)

The amount of quarterly net income per share and the basis for the calculation thereof as well as the amount of quarterly diluted net income per share and the basis for the calculation thereof are as follows:

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)	Current 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)
(1) Quarterly net income per share	131.45 yen	179.32 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	3,466	4,712
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	3,466	4,712
Average number of common stocks outstanding (hundreds of shares)	263,680	262,808
(2) Quarterly diluted net income per share	130.92 yen	—
(Basis for calculation)		
Adjustments to quarterly net income attributable to owners of parent (millions of yen)	—	—
Number of common stocks increased (hundreds of shares)	1,066	—
Outline of the diluted shares not included in the calculation of quarterly diluted net income per share for not having dilutive effect, but having significant changes since the end of the previous consolidated fiscal year	—	—

- (Notes) 1. The average number of stocks outstanding used in the calculation of earnings per share information has been determined by including the stocks of the Company owned by the BIP Trust (which has been established with the introduction of the BIP Trust plan) as deductible treasury stocks.
The average number of said treasury stocks outstanding deducted for the calculation of quarterly net income per share was 190,438 shares for the current 2nd quarter consolidated cumulative period.
2. The quarterly diluted net income per share for the current 2nd quarter consolidated cumulative period is not stated as there were no dilutive shares.

(Material subsequent events)

None to be disclosed.

2 [Other]

The resolution regarding the current interim dividends was adopted at the Board of Directors' meeting held on May 1, 2020, stated as follows.

- (a) Total amount of cash dividends to be paid as interim dividends 1,455 million yen
- (b) Dividend per share 55.00 yen
- (c) Effective date for payment claim and commencement date for payment June 15, 2020

(Note) Dividends are payable to the shareholders listed or recorded on the Register of Shareholders as of March 31, 2020.

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

None to be disclosed.

Quarterly Review Report of
Independent Auditors

May 7, 2020

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Kanji Tako	(seal)
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Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Toru Iizuka	(seal)
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Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, we have conducted a quarterly review of the quarterly consolidated financial statements of the consolidated fiscal year of the Company (started from October 1, 2019 and ending September 30, 2020) for the 2nd quarter consolidated accounting period (from January 1, 2020 to March 31, 2020) and for the 2nd quarter consolidated cumulative period (from October 1, 2019 to March 31, 2020) stated in [Financial Information] hereunder, which consists of the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows, and notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan. Responsibilities include those for designing and operating an internal control system as the management deems necessary in order to prepare and properly present the quarterly consolidated financial statements that are free from material misstatement due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent conclusion regarding the quarterly consolidated financial statements based on our quarterly review. We conducted our quarterly review in accordance with quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries, performing analytical procedures and other quarterly review procedures of the management and persons responsible for financial and accounting matters. The quarterly review procedure is a limited procedure compared to the audit procedure of annual financial statements performed in accordance with auditing standards generally accepted in Japan.

We believe that we have obtained evidences to support the basis for our conclusion.

Auditor's Conclusion

Based on our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above does not properly represent, in all material respects, the financial conditions of TKC Corporation and its consolidated subsidiaries as of March 31, 2020 and their operating results and cash flows for the 2nd quarter consolidated cumulative period ending on the same date in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan.

Interest

Our firm and the executing partners have no interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act of Japan.

End of document

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- (Notes) 1. The above is a digitized version of the original copy of the quarterly review report, the original of which is stored by TKC Corporation (the Company filing this quarterly report).
2. XBRL data is not included in the scope of this quarterly review.

[Front Cover]

[Document filed]	Confirmation letter
[Applicable law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	May 7, 2020
[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]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

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

Masanori Iizuka, Representative Director, President and Executive Officer of the Company and Hitoshi Iwata, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report of the Company for the 2nd quarter of the 54th term (started January 1, 2020; ended March 31, 2020) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.