

# Quarterly Report

(55th Term 1st Quarter)

Started October 1, 2020

Ended December 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	54th Term 1st quarter consolidated cumulative period	55th Term 1st quarter consolidated cumulative period	54th Term
Accounting period	Started October 1, 2019; ended December 31, 2019	Started October 1, 2020 ended December 31, 2020	Started October 1, 2019; ended September 30, 2020
Net sales (millions of yen)	16,320	14,837	67,814
Ordinary income (millions of yen)	2,581	2,816	11,685
Quarterly (current) net income attributable to owners of parent (millions of yen)	1,594	1,873	7,821
Quarterly comprehensive income or comprehensive income (millions of yen)	1,953	2,213	7,501
Net assets (millions of yen)	73,376	77,291	77,075
Total assets (millions of yen)	92,093	93,799	97,671
Quarterly (current) net income per share (yen)	60.68	71.29	297.63
Quarterly (current) diluted net income per share (yen)	—	—	—
Equity ratio (%)	79.3	82.4	78.9

- (Notes)
1. 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.
  2. Net sales do not include consumption taxes (consumption tax and local consumption tax; hereinafter the same).
  3. The Company maintains a Board Incentive Plan (BIP) Trust and records the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly (current) net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.
  4. The quarterly (current) diluted net income per share 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 1st 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 1st 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 outlook for the containment of the novel coronavirus disease (hereinafter, “COVID-19”) was still unpredictable, the Company continued on from the previous fiscal year to place highest priority on supporting our customers, and worked to develop systems and provide services for them.

The Accounting Firm Business Division supported the efforts of certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) in providing assistance in financing and managerial advisory services as escort supporters of SMEs. In addition, the Company worked to promote the use of TKC Monitoring Information Service, in which TKC Members, upon request by their clients, disclose the company’s settlement to financial institutions at the same time as the electronic tax filings of settlement documents, and as a result, the Service was used for more than 255,000 cases as of December 31, 2020.

The Local Governments Business Division began preparations in response to the release of the administrative circular “Implementation Outline of Establishing COVID-19 Vaccination Systems” on October 23, 2020 from the Ministry of Health, Labour and Welfare, including system revision of vaccination ledger system and printing of notices on vaccination.

As a result of these activities, the operating results for the current 1st quarter consolidated cumulative period (hereinafter, “the current 1st Quarter”) of the consolidated Group comprising of TKC Corporation and its six consolidated subsidiaries recorded a net sales of 14,837 million yen (decreased 9.1% year-on-year), operating income of 2,670 million yen (increased 8.4% year-on-year), ordinary income of 2,816 million yen (increased 9.1% year-on-year), and net income attributable to owners of parent of 1,873 million yen (increased 17.5% year-on-year).

The decrease in net sales year-on-year was caused by decreasing demands for PC replacements as customers completed their first round of PC replacements in response to the termination of Windows 7 support by Microsoft. In addition, it was also due to the Company’s decision on the early application of the Accounting Standard for Revenue Recognition (hereinafter, “Revenue Recognition Accounting Standard”), which will be implemented for listed companies starting April 1, 2021. The reason for the Company’s early application of the Revenue Recognition Accounting Standard was in an aim to compile the know-how gained through the application of the Standard and provide such know-how in its consulting services for listed companies.

Net sales for the current 1st Quarter by business division are shown below.

#### 1. Results of operation of the Group for the 1st Quarter

##### (1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD was 10,631 million yen (decreased 5.8% year-on-year); operating income was 2,632 million yen (increased 12.1% year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 2.6% year-on-year. Medium-size companies are rapidly working towards digital transformation (DX), and in such climate, this was attributable to the continuing growth in number of implementations of the FX4 Cloud Integrated Accounting Information System for mid-size companies, which enables the linking of sales management systems, salary calculation systems and other business systems with accounting data, and the increase in the number of tax accounting firms adopting the Office Management System (OMS Cloud) for Tax Accounting Firms.
- (ii) Software sales increased by 6.3% year-on-year. This is the result of increase in the number of users of financial accounting systems, such as FX4 Cloud Integrated Accounting Information System for mid-size companies, that meet the requirements of the Electronic Books Maintenance Act of Japan, as well as strong growth in the number of users of our electronic tax filing system for corporations (ASP1000R) in response to the electronic filing of income taxes mandated to large enterprises with a capital of 100 million yen or greater starting April 1, 2020.
- (iii) Hardware sales decreased by 31.4% year-on-year. This was due to customers having completed their first round of PC replacements in response to the termination of Windows 7 support by Microsoft, and PC sales reverting back to the usual level.
- (iv) Sales from supplies decreased by 63.7% year-on-year. This was because transactions of business forms and office equipment offered to accounting firms were recorded as agent transactions under the Revenue Recognition Accounting Standard. Net sales prior to applying the Revenue Recognition Accounting Standard increased by 1.6% year-on-year.

- (v) The improvement in operating income year-on-year was a result of decrease in travel expenses by switching the style of customer support to remote using the online meeting system, and decrease in costs related to hosting seminars by using webinars for marketing activities.

## (2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD was 3,523 million yen (decreased 16.2% year-on-year); operating income was 212 million yen (decreased 6.6% year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 8.2% year-on-year. This was driven by increase in sales from the new customer outsourcing services whose system was fully launched in FY2020, and increase in data center usage fees.
- (ii) Software sales decreased by 35.6% year-on-year. This was due to the absence of temporary sales in response to the partial revisions to the Order for Enforcement of the Residential Basic Book Act which were recorded in the previous fiscal year.
- (iii) Sales from consulting services decreased 57.5% year-on-year. This was because the change-over of systems for orders from new customers won during the previous fiscal year is still ongoing, and its delivery inspection is still pending. System change-over is scheduled to be completed during this fiscal year.
- (iv) Hardware sales decreased by 5.7% year-on-year. This was due to decrease in renewal of server equipment by customers.
- (v) The reason for decrease in operating income year-on-year was due to the absence in the current fiscal year of temporary sales in response to the partial revisions to the Order for Enforcement of the Residential Basic Book Act which were recorded in the previous fiscal year.

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

Net sales of the Printing BD was 683 million yen (decreased 17.6% year-on-year); operating loss was 170 million yen (operating loss of 95 million yen in the 1st quarter of the previous fiscal year). Breakdown of sales is as follows:

- (i) Sales of data printing service-related products decreased by 24.3% year-on-year. This was due to suppressed orders for direct mail and other productions for sales promotion from private enterprises due to impacts of COVID-19.
- (ii) Business form-related sales decreased by 12.2% year-on-year. This was due to ongoing decline in demands for business forms, as companies are switching over to digitalization in response to COVID-19 and further reducing business form printing.
- (iii) Sales of printing of commercial-use creative materials (catalogs, flyers, books, etc.) decreased by 16.0% year-on-year. This was due to decrease in demands for printed materials and flyers for events from the cancellation/postponement of many events impacted by COVID-19 and switching to webinars.

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

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

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

- (i) To enable customers to continue using our cloud services, business form printing services, and help desk services, we have been continuing from the previous fiscal year to strengthen our business continuity measures (including prohibiting the entry of outside personnel at important offices and developing the infrastructure for remote access to the data center).
- (ii) By introducing teleworking and staggered working hour programs, we have set our target for attendance at 30% for throughout the Company. We also make it a general rule to conduct customer support and business meetings using the Web meeting systems.

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

The Company began the early application of the Revenue Recognition Accounting Standard in the current fiscal year (started October 1, 2020).

This is in an aim to compile the know-how gained through the application of the Revenue Recognition Accounting Standard and provide such know-how in our consulting services for listed companies.

## 3. 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 December 31, 2020) that are customers of TKC.

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

(i) Support of SMEs affected by COVID-19

In the current 1st quarter under review, the Company engaged in the following support activities under the policy to focus all its effort on supporting TKC Members and their clients.

1) Provision of the latest information to TKC Members

To accurately and quickly convey information on SME support policies released by the national government and SME support organizations to TKC Members, the Company provided the latest information on a daily basis on the exclusive Intranet (ProFIT) for TKC Members.

We began this activity on February 25, 2020 and posted a total of 182 entries as of the end of December 2020.

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

The Company developed a special website where TKC Members can check SME support policies offered by the national governments, prefectural governments, as well as cities with a population of 40,000 or greater, and financial institutions under the categories: Loans, Employment, Subsidies, and Taxation. The site has enabled TKC Members to send out information on emergency financial measures widely across clients and other SMEs. The website had 9,591 entries on support policies and has become the largest database dedicated to SME support policies in Japan as of the end of December 2020.

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

The Company provided a function for clients requiring emergency support on the Tax Accountants Office Management system (OMS). This function can automatically evaluate the eligibility of each client in the form of a checklist of various governmental emergency economic policies and special loans by government-affiliated financial institutions. Further in the current 1st Quarter, we rapidly achieved compliance with the Fixed Assets Tax Reduction System which provides for reduction of fixed assets tax and city planning tax for FY2021, and added a function to extract eligible clients that are likely to meet the conditions with a single click. Through these efforts, we are establishing a system to enable TKC Members to provide information to their clients in a timely manner.

4) Strengthening of on-demand training

The Company provided on-demand training in which we explained the practices for the application and filing for the above-mentioned Fixed Assets Tax Reduction System, as well as training on the formulation of a medium-term management plan amidst the COVID-19 pandemic, and also encouraged viewing of the contents.

(ii) Sales activities to achieve TKCNF’s Strategic Targets 2020

The Company has been engaged in sales activities to achieve the Strategic Targets 2020 in collaboration with TKCNF.

1) Promotion of TKC Monitoring Information Service

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

- i. Supporting documents submitted by TKC Members as provided for under Article 33-2 of the Certified Public Tax Accountant Act of Japan
- ii. 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
- iii. 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 458 financial institutions including all local banks throughout Japan (64 institutions) as of December 31, 2020. Also, over 255,000 companies provided their financial statements to financial institutions as of December 31, 2020.

Going forward, financial institutions are expected to check the performance of borrowers on a regular basis and provide management support. There is growing interest among financial institutions because the services to provide monthly trial balance sheet under the TKC Monitoring Information Service enable clients of TKC Members to submit the results of monthly settlements electronically.

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

During the current 1st Quarter, we provided support for the utilization of functions for the management strategy level (budget registration, management by division, financing results spreadsheet) incorporated in the FX series, which has enabled the management of clients to accurately understand the impacts of COVID-19 pandemic and to determine the next actions. In order for management to utilize these functions effectively, they need to enter the accounting transaction data in a timely and accurate manner, so the Company also provided support on functions for business execution level, including support for the bank credit data receiving function to receive bank deposit transaction data through online banking and generate journal entries automatically, and the linking of salary journal with the strategic salary information system (PX2).

In addition, the FX Cloud series which was released on September 25, 2020 features enhanced functions to “strengthen the company through accounting” and enhanced functions to support the field auditing by accounting firms. By offering assistance to implement the FX Cloud series, the Company will work to support SMEs in strengthening their financial management and capital procurement capabilities.

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

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.

The easing of the requirements of the Electronic Books Maintenance Act of Japan was announced in the outline of the FY2021 tax reform approved by the cabinet on December 21, 2020. We will adapt our systems for accounting firms to comply with electronic books that meet the revised requirements (general electronic books). In addition, we will work to further promote superior electronic books that meet the requirements on history of corrections, etc.

## 4) 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 of TKCNF in soliciting new members to achieve this goal.

On November 19, 2020, we held TKC New Members Form 2020 in the form of live streaming with the participation of 346 non-member tax accountants who were considering joining the TKCNF. This was the largest number of participants ever.

Due to COVID-related confusion, the Company is actively hosting webinars as we are unable to visit potential accounting firms that we intended to solicit.

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

## (2) 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: i) accounting that helps to grasp the company’s business situation; ii) accounting that contributes to providing information to stakeholders (financial institutions, etc.); iii) accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system; and iv) accounting that does not place excessive burden on SMEs.

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

### (ii) Issuance of Certificate of Bookkeeping Timeliness

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

This service was developed in an aim to improve reliability of financial statements and tax returns prepared by TKC Members and to provide a passport for smooth financing to the clients of TKC Members. This utilizes the features of the Company’s financial accounting processing at TKC data centers, which prohibits any retroactive insertions, deletions and corrections to past data, and TKC Corporation proves, as a third party, that TKC Members have visited clients on a monthly basis to provide guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed by a one-stop, full line process in a timely manner.



### (3) 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 are actively working to solicit these companies and their affiliates to become clients of TKC Members.

Starting April 2020, large enterprises with a capital of 100 million yen or greater are mandated to use electronic filing of income tax, consumption tax, and local taxes. With this reform, large sized companies must file their income tax returns electronically, as well as submit any attachments to tax returns (financial statements, statement classified by accounting items, etc.) in electronic data form. To enable these companies to switch smoothly to the mandated electronic filing system, the Company released the Guidebook on Complying with Mandatory Electronic Filing on the Company's website and held on-demand seminars in collaboration with TKCNF's Medium- and Large-sized Companies Support Council (1,474 members as of December 31, 2020). We also entered into alliance agreements with four ERP vendors, working on the development of systems linking to financial statements data. Moreover, as many listed companies encouraged telecommuting in response to COVID-19, we switched our sales activities from visiting sales to inside sales, consequently reducing the time to visit clients and increasing the number of negotiations.

As a result, the number of users of systems such as ASP1000R electronic tax filing system for corporations and the eConsoliTax consolidated tax payment system reached 6,800 companies as of December 31, 2020. This is equivalent to approximately 30% of the 23,000 some companies with a capital of 100 million yen or greater.

Also, as companies having business abroad are refraining from overseas travel due to COVID-19, they are facing challenges in managing their foreign subsidiaries and ensuring governance. In such environment, the number of companies implementing the OBMonitor overseas business monitoring system is increasing rapidly, as it is a cloud service that allows companies to check the financial data of their foreign subsidiaries from their office in Japan. As a result, the number of users of the OBMonitor exceeded 1,000 companies and is currently used in 34 countries around the world as of the end of December 2020.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 4,400 corporate groups as of December 31, 2020. Our taxation-related information systems are adopted by 89% of the 100 largest Japanese listed companies by sales amount. The market shares among Japanese listed companies reached 34%.

### (4) Expansion of markets for legal information database services

#### (i) Increase of user base of TKC Law Library

Many customers were forced to work online as a result of transitioning to teleworking due to COVID-19. This has consequently caused users who were unable to conduct research at the data room or library to reconsider the advantages of TKC Law Library that covers laws and regulations, judicial precedents, bibliographic information references and also contents of specialized law magazines, which could be accessed any time, from any place. As a result, the numbers of user IDs and contracts to access additional contents are growing. In the current 1st Quarter under review, as a result of active online promotional activities through the website and SNS towards TCK Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments, the number of users exceeded 52,000 IDs and the Library is used by over 23,000 institutions as of December 31, 2020.

#### (ii) Progress in the academic market

Due to the impacts of COVID-19, many universities after October 2020 are conducting hybrid-style classes combining face-to-face and online lectures. Our systems, such as the TKC Educational and Research Support System and TKC Law Library, can be accessed online and used anytime, anywhere. They contain a huge number of diverse contents compared to those of other companies, and include various functions such as report generation, computing and testing. These features are being reconsidered as tools to support online classes and learning for faculty and students. To date, the Company conducts web meetings with various universities, and continues to respond to requests for additional access to our basic services and provide support in the development of online learning environments tailored to meet the situation of each university.

Also, the study tools (for civil service examination and practical business law examination) offered mainly to the faculty of law of universities have been adopted by 25 universities as of December 31, 2020. As examinations are postponed and learning environment incomplete, students must rely on online study tools that contain well-developed learning materials. Such students used our systems much more frequently. In September 2020, we began offering a new study tool for the jurisprudence examination. Because the jurisprudence exam for academic year 2020 (November) was limited to group examinees, we are promoting trial use among 63 target universities and conducting surveys in an aim to expand use in academic year 2021. As we anticipate that established computer-based examinations already used for qualification tests (CBT/IB method) will be used in the future, we are working to understand the needs of users, develop web-based testing functions, and promote the use of study tools compatible with computer-based examinations.

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

On July 17, 2020, the Declaration to be the World's Most Advanced IT Nation: Basic Plan for the Advancement of Public and Private Sector Data Utilization was approved by the cabinet. In an aim to reduce administrative costs, standardize administrative tasks, improve information security, and ensure business continuity in the event of a disaster, the Japanese government has set a target to have approximately 1,600 institutions using cloud for their administrative systems (of which, approximately 1,100 institutions to be users of local government cloud systems that can be shared by multiple users) by the end of FY2023.

Our TASK Cloud Service is a single version package system operated at TKC data centers that is designed to allow shared use by multiple institutions. It has been attracting attention as being an optimal system for a local government cloud system promoted by the government, and has been adopted by eleven groups for shared use. The seven alliance partners across the country are also actively promoting our TASK Cloud Service. As a result, the TASK Cloud Service has been adopted by more than 160 local municipalities as of December 31, 2020.

In the current 1st Quarter under review, we continued to undertake proposal activities to win new contracts, as well as supported newly implementing municipalities that were scheduled for a full-scale launch by March 2021 in enabling smooth system transition.

Also for the Welfare Consultation Support System, we enhanced the functionalities of various systems through the provision of functions to support streamlining of record preparation and smooth sharing of information between relevant parties based on the F-SOAP lifestyle support recording method (\*).

In addition, we engaged in gathering and communicating information to enable customers to respond quickly and effectively to the project of establishing COVID-19 vaccination systems, and prepared ourselves to provide support for system revisions of vaccination ledger system as well as printing and mailing of notices on vaccination and individual notices for residents as outsourcing services.

##### \* About lifestyle support recording method F-SOAP

F-SOAP 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 allows users to record the progress of support in an efficient and accurate manner and to facilitate sharing of information among relevant parties.

#### (2) Support for digitalization of administrative services

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

In this quarter under review, we engaged in the development of the TASK Cloud Smart Application System with the cooperation of Osaka city, Osaka Prefecture for commercialization in Spring of 2021, and enhanced the functionalities of the TASK Cloud Easy Counter Service System and TASK Cloud My Number Card Issuance Reservation and Management System.

In addition, as a result of aggressive promotional activities of these systems and services, the Convenience Store Certificate Issuing System is adopted by over 130 agencies including government ordinance-designated cities such as Kobe and Kitakyushu, the Easy Counter Service System is used by more than 10 municipalities, and the My Number Card Issuance Reservation & Management System is adopted by over 20 municipalities as of December 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 of each municipality.

These services are proposed in collaboration with 50 partner companies with whom we have on-going alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is currently used by more than 780 agencies which account for more than 40% of all prefectures and local municipalities as of December 31, 2020.

In the current 1st Quarter, we engaged in the enhancement of functionalities of related systems in response to the launch of the Common Tax Payment System for Local Taxes, and active promotional activities for our own data connection services.

#### (4) Response to standardized local public accounting

Municipalities are required to further promote their initiatives in local public accounting and to focus on streamlining the preparation of financial documents in order to utilize such data for financial analysis.

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

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

In the current quarter, the Company received new orders from many agencies including Sodegaura City, Chiba Prefecture and Kanuma City, Tochigi Prefecture, and provided support for the smooth system launch and operation.

We also engaged in the development and enhancement of various functions to support the visualization and utilization of local public accounting as well as in aggressive promotional activities. As a result, our public accounting systems are adopted by more than 270 agencies as of December 31, 2020.

#### (5) Research and development of next-generation products

In response to the lagging in digitization and moving online that became apparent from the spread of COVID-19, the Basic Policy on Economic and Fiscal Management and Reform 2020 (Cabinet Decision of July 2020) positioned all-out promotion of a digital government as top priority, and decided to speed up the implementation of digitization to “move as many administrative procedures as possible online and make them ‘one stop and once only.’” In addition, on December 25, 2020, the Ministry of Internal Affairs and Communications announced the Local Governments Digital Transformation (DX) Promotion Plan, committing to focus on initiatives such as standardization & commonization of the local governments’ information systems, promotion of My Number card, and online connection of local government’s administrative procedures during the project period ending March 31, 2026. In such climate, initiatives for the digitization of municipal administrative services are also speeding up.

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

During the current 1st Quarter under review, we gathered and communicated information on the digitalization of administrative services and standardization of operational systems, and conducted surveys, research and development on next-generation solutions through experimental projects with advanced organizations to support the post-COVID-19 “New Normal Lifestyle.”

#### 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 DPS area, sales dropped as a result of failure to receive large projects from government offices, decline in contract prices due to lower pricing, and decrease in orders for direct mail and other productions from private enterprises due to impacts of COVID-19.

Currently, we are approaching local municipalities to win contracts on tasks related to COVID-19 vaccination notices for residents, and engaging in sales activities towards private enterprises to receive orders for new direct mail projects.

In the area of business form printing, sales decreased as a result of weak demands for business forms, less demands for business forms at major accounts, and decline in use of business forms due to impacts of COVID-19.

In the area of printing of commercial-use creative materials (catalogs, flyers, booklets, books, etc.), with the continuing cancellation/postponement of events impacted by COVID-19, more customers are shifting to web-based seminars and events, and sales dropped due to decrease in orders for reference materials and flyers that used to be needed for such events.

## II. Qualitative Information on Consolidated Financial Conditions

### 1. Assets

Total assets as of the end of the current 1st quarter consolidated accounting period amounted to 93,799 million yen, a 3,871 million yen decrease compared to 97,671 million yen as of the end of the previous consolidated fiscal year.

#### (1) Current assets

Current assets as of the end of the current 1st quarter consolidated accounting period amounted to 32,554 million yen, a 3,289 million yen decrease compared to 35,844 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,771 million yen decrease in cash and deposits, a 779 million yen decrease in notes and accounts receivable, and a 260 million yen decrease in work in progress, despite a 210 million yen increase in advances payments included in Other.

(2) Non-current assets

Non-current assets as of the end of the current 1st quarter consolidated accounting period amounted to 61,245 million yen, a 581 million yen decrease compared to 61,826 million yen as of the end of the previous consolidated fiscal year.

This was mainly due to an 824 million yen decrease in deferred tax assets included in Other and a 104 million yen decrease in buildings and structures (net amount), despite a 420 million yen increase in investment securities.

2. Liabilities

Total liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 16,508 million yen, a 4,086 million yen decrease compared to 20,595 million yen as of the end of the previous consolidated fiscal year.

(1) Current liabilities

Current liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 10,798 million yen, a 3,903 million yen decrease compared to 14,701 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,243 million yen decrease in provisions for bonuses, a 2,455 million yen decrease in income taxes payable, and a 1,677 million yen decrease in accounts payable—other, despite a 1,143 million yen increase in deposits received included in Other.

(2) Non-current liabilities

Current liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 5,710 million yen, a 183 million yen decrease compared to 5,893 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an 86 million yen decrease in provisions for stocks payment and a 63 million yen decrease in long-term lease obligations (sublease) included in Other.

3. Net assets

Total net assets as of the end of the current 1st quarter consolidated accounting period amounted to 77,291 million yen, a 215 million yen increase compared to 77,075 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 296 million yen increase in valuation difference on available-for-sale securities and an 89 million yen increase in treasury stock, despite a 213 million yen decrease in retained earnings.

Equity ratio as of the end of the current 1st quarter consolidated accounting period was 82.4%, a 3.5 percentage point increase compared to the ratio of 78.9% as of the end of the previous consolidated fiscal year.

III. Operational and Financial Challenges Facing the TKC Group

There are no significant changes in challenges faced by the TKC Group during the current 1st quarter consolidated cumulative period.

IV. Research and Development Activities

There were no research and development expenses spent by the TKC Group during the current 1st quarter consolidated cumulative period.

There are no significant changes in the status of research and development activities of the TKC Group during the current 1st quarter consolidated cumulative period.

3 [Material Agreements, etc.]

There has been no decision or conclusion of material agreements, etc., during the current 1st 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 1st quarter accounting period (shares) (December 31, 2020)	Number of shares issued as of the filing date (shares) (February 12, 2021)	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 October 1, 2020 To December 31, 2020	—	26,731,033	—	5,700	—	5,409

#### (5) [Major shareholders]

There is nothing applicable to be disclosed as the current quarter is the 1st quarter accounting period.

(6) [Status of Voting Rights]

The status of voting rights as of the end of the current 1st quarter accounting period indicated hereunder are based on the shareholders registry as of the most recent record date (September 30, 2020) because the content of the shareholders registry as of the end of the current 1st quarter cannot be confirmed.

(i) [Shares issued]

As of September 30, 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 263,600	—	—
Shares with full voting right (others)	Common stock 26,397,200	263,972	—
Shares less than one share unit	Common stock 70,233	—	—
Total number of shares issued	26,731,033	—	—
Total voting rights held by all shareholders	—	263,972	—

(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 September 30, 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	263,600	—	263,600	0.99
Total	—	263,600	—	263,600	0.99

(Note) In addition to the above, the 189,700 shares owned by the BIP Trust are recorded as treasury stocks. The number of treasury stocks owned by the BIP Trust as of the end of the current 1st quarter accounting period was 166,420 shares.

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 1st quarter consolidated accounting period (from October 1, 2020 to December 31, 2020) and the 1st quarter consolidated cumulative period (from October 1, 2020 to December 31, 2020) have been audited 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, 2020)	Current 1st quarter consolidated accounting period (December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	26,769	23,997
Notes and accounts receivable–trade	7,014	6,234
Inventories	723	486
Other	1,357	1,851
Allowance for doubtful accounts	(19)	(15)
Total current assets	35,844	32,554
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	8,182	8,078
Land	6,911	6,911
Other (net amount)	2,699	2,774
Total property, plant and equipment	17,794	17,764
Intangible assets	3,120	3,034
Investments and other assets		
Investment securities	16,282	16,703
Long-term deposits	14,600	14,600
Guarantee deposits	1,438	1,423
Other	8,591	7,719
Total investments and other assets	40,911	40,446
Total non-current assets	61,826	61,245
Total assets	97,671	93,799
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	2,181	2,100
Electronically recorded obligations–operating	802	833
Short-term loans payable	142	134
Accounts payable–other	4,227	2,549
Income taxes payable	2,549	94
Provisions for bonuses	3,673	1,429
Other	1,124	3,656
Total current liabilities	14,701	10,798
Non-current liabilities		
Long-term loans payable	295	285
Retirement benefit liabilities	3,400	3,403
Provisions for stocks payment	599	513
Other	1,598	1,507
Total non-current liabilities	5,893	5,710
Total liabilities	20,595	16,508



(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2020)	Current 1st quarter consolidated accounting period (December 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,588	6,588
Retained earnings	68,533	68,319
Treasury stock	(1,660)	(1,571)
Total shareholders' equity	79,161	79,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(553)	(256)
Accumulated remeasurements of defined benefit plans	(1,532)	(1,489)
Total accumulated other comprehensive income	(2,085)	(1,745)
Total net assets	77,075	77,291
Total liabilities and net assets	97,671	93,799

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

[Quarterly consolidated statements of income]

[1st quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 1st quarter consolidated cumulative period (Started October 1, 2019; ended December 31, 2019)	Current 1st quarter consolidated cumulative period (Started October 1, 2020; ended December 31, 2020)
Net sales	16,320	14,837
Cost of sales	5,928	4,295
Gross profit	10,392	10,542
Selling, general and administrative expenses	7,928	7,871
Operating income	2,464	2,670
Non-operating income		
Interest income	7	11
Dividends income	70	70
Insurance dividends income	3	12
Land and house rent received	12	12
Other	23	38
Total non-operating income	117	145
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	—
Other	0	—
Total non-operating expenses	0	0
Ordinary income	2,581	2,816
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Total extraordinary losses	3	0
Quarterly net income before taxes and adjustments	2,578	2,815
Income taxes—current	236	106
Income taxes—deferred	773	834
Total income taxes	1,009	941
Quarterly net income	1,568	1,873
Quarterly net loss attributable to non-controlling interests	(26)	—
Quarterly net profit attributable to owners of parent	1,594	1,873

[Quarterly consolidated statements of comprehensive income]

[1st quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 1st quarter consolidated cumulative period (Started October 1, 2019; ended December 31, 2019)	Current 1st quarter consolidated cumulative period (Started October 1, 2020; ended December 31, 2020)
Quarterly net income	1,568	1,873
Other comprehensive income		
Valuation difference on available-for-sale securities	342	296
Remeasurements of retirement benefits	42	42
Total other comprehensive income	384	339
Quarterly comprehensive income	1,953	2,213
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	1,978	2,213
Quarterly comprehensive income attributable to non- controlling interests	(25)	—

## [Notes to Financial Statements]

### (Changes in Accounting Policies)

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

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

In applying the Revenue Recognition Accounting Standard, etc., we have followed the transitional measures set forth in the notes to Section 84 of the Revenue Recognition Accounting Standard. Therefore, we have adjusted the retained earnings at the beginning of the current 1st quarter consolidated accounting period to include the cumulative effects of retroactive application of the new accounting policy prior to the beginning of the said period, and applied the new accounting policy to the balance at the beginning of the said period.

As a result, the amounts of cumulative effects are reflected in the net assets at the beginning of the current 1st quarter consolidated accounting period, and the beginning balance of retained earnings has decreased by 367 million yen.

Also, compared to the conventional method, net sales for the current 1st quarter consolidated cumulative period decreased by 451 million yen, cost of sales decreased by 547 million yen, while the amounts of operating income, ordinary income, and quarterly net income before taxes and adjustments increased by 95 million yen each.

### (Additional Information)

#### (Stock-based compensation plan for officers)

##### 1. Outline of transaction

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

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

##### 2. Stocks of the Company remaining in trust

The stocks of the Company remaining in trust are recorded as treasury stock under Net Assets with the book values in the trust (not including expenses attributable thereto). The book value of said treasury stocks was 658 million yen for 166,420 shares as of the end of this current 1st quarter consolidated accounting period.

### (Application of tax effect accounting for the transition from the consolidated taxation system to Group tax sharing system)

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

(Notes to the quarterly consolidated statements of cash flows)

The Company does not prepare the quarterly consolidated statements of cash flows for the current 1st quarter consolidated cumulative period. The depreciation (including depreciation of intangible assets) for the current 1st quarter consolidated cumulative period is as follows:

	Previous 1st quarter consolidated cumulative period (Started October 1, 2019; ended December 31, 2019)	Current 1st quarter consolidated cumulative period (Started October 1, 2020; ended December 31, 2020)
Depreciation	743 million yen	727 million yen

(Notes to shareholders' equity, etc.)

I. Previous 1st quarter consolidated cumulative period (started October 1, 2019; ended December 31, 2019)

Dividend payments

Resolution	Type 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.

II. Current 1st quarter consolidated cumulative period (started October 1, 2020; ended December 31, 2020)

Dividend payments

Resolution	Type of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 18, 2020 Ordinary General Meeting of Shareholders	Common stock	1,720	65	September 30, 2020	December 21, 2020	Retained earnings

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

(Segment information, etc.)

[Segment information]

I. Previous 1st quarter consolidated cumulative period (started October 1, 2019; ended December 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	11,288	4,203	828	16,320	—	16,320
(2) Inter-segment sales or transfers	2	0	395	398	(398)	—
Total	11,291	4,203	1,224	16,719	(398)	16,320
Segment profit (loss)	2,347	227	(95)	2,479	(15)	2,464

- (Notes) 1. Adjustments of segment loss of 15 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.

II. Current 1st quarter consolidated cumulative period (started October 1, 2020; ended December 31, 2020)

1. 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	10,631	3,523	683	14,837	—	14,837
(2) Inter-segment sales or transfers	2	0	295	297	(297)	—
Total	10,633	3,523	978	15,134	(297)	14,837
Segment profit (loss)	2,632	212	(170)	2,673	(2)	2,670

- (Notes) 1. Adjustments of segment loss of 2 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.

2. Changes, etc. to reportable segments

As stated in the (Changes in Accounting Policies), the Company applies the Revenue Recognition Accounting Standard, etc. from the beginning of the current 1st quarter consolidated accounting period, and changed its accounting processing methods on revenue recognition. As such, the method of measurements of profit/loss of the reportable segments have been changed accordingly.

As a result of these changes, for the current 1st quarter consolidated cumulative period: for the Accounting Firm BD, net sales decreased by 405 million yen, and segment profit increased by 125 million yen; for the Local Governments BD, net sales decreased by 31 million yen, and segment profit decreased by 29 million yen; and for the Printing BD, net sales decreased by 15 million yen.

(Earnings per share information)

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

	Previous 1st quarter consolidated cumulative period (Started October 1, 2019; ended December 31, 2019)	Current 1st quarter consolidated cumulative period (Started October 1, 2020; ended December 31, 2020)
Quarterly net income per share	60.68 yen	71.29 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	1,594	1,873
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	1,594	1,873
Average number of common stocks outstanding (hundreds of shares)	262,827	262,813

- (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 numbers of said treasury stocks deducted for the calculation of quarterly net income per share were 190,500 shares for the previous 1st quarter consolidated cumulative period, and 185,841 shares for the current 1st quarter consolidated cumulative period.
2. The quarterly diluted net income per share is not stated as there were no dilutive shares.

(Material subsequent events)

None to be disclosed.

## 2 [Other]

None to be disclosed.

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

None to be disclosed.



## Quarterly Review Report of Independent Auditors

February 12, 2021

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC  
Tokyo Office

Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Kanji Tako	(seal)
Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Toru Iizuka	(seal)

### Auditor's Conclusion

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, we have conducted a review of the quarterly consolidated financial statements of the consolidated fiscal year of the Company (started from October 1, 2020 and ending September 30, 2021) for the 1st quarter consolidated accounting period (from October 1, 2020 to December 31, 2020) and for the 1st quarter consolidated cumulative period (from October 1, 2020 to December 31, 2020) stated in [Financial Information], namely, the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, and notes.

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 December 31, 2020 and their operating results for the 1st quarter consolidated cumulative period ending on the same date in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan.

### Basis for Auditor's Conclusion

We conducted our quarterly review in accordance with quarterly review standards generally accepted in Japan. Our responsibilities under those standards for quarterly reviews are further described in the Auditor's Responsibilities for the Quarterly Review of the Quarterly Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiary in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have obtained evidences to support the basis for our conclusion.

### Emphasis of Matter

As stated in the Notes (Changes in Accounting Policies), the Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) from the current 1st quarter consolidated accounting period.

Our opinion is not modified in respect of this matter.

### Responsibilities of Management, Corporate Auditors and Board of Auditors for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with principles setting forth the preparation and proper presentation of the 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.

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles of quarterly consolidated financial statements generally accepted in Japan, matters related to going concern.

Corporate auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties including the design and implementation of the Group's financial reporting process.

#### Auditor's Responsibilities for the Quarterly Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express, in the Quarterly Review Report, an independent conclusion regarding the quarterly consolidated financial statements based on our quarterly review.

As part of our audit in accordance with the quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the quarterly review. We also:

- A quarterly review consists principally of making inquiries to the management and persons responsible for financial and accounting matters, performing analytical procedures and other quarterly review procedures. The quarterly review procedure is a limited procedure compared to the procedure of annual financial statements performed in accordance with auditing standards generally accepted in Japan.
- If we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, based on the evidence obtained, we will conclude whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not properly presented in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan. If we conclude that a material uncertainty exists, we are required to draw attention in our quarterly review report to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to modify our opinion on the quarterly consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether anything has come to our attention that causes us to believe that the presentation and disclosures in the quarterly consolidated financial statements are not in accordance with accounting principles generally accepted in Japan; the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures; and whether anything has come to our attention that causes us to believe the quarterly consolidated financial statements do not represent the underlying transactions and events in a matter that achieves fair presentation.
- Obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the quarterly review of the quarterly consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the Board of Auditors regarding the planned scope and timing of the quarterly review and significant findings therein.

We also provide corporate auditors and the Board of Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Interest

Our firm and the executing partners have no interest in the Company or its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

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(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]	February 12, 2021
[Company name]	<i>Kabushiki Kaisha TKC</i>
[Company name in English]	TKC Corporation
[Title and name of representative]	Masanori Iizuka, Representative Director, President and Executive Officer
[Title and name of Chief Financial Officer]	Kiyotsugu Nakanishi, Director & Executive Officer, Chief Director of Business Administration
[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 Kiyotsugu Nakanishi, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report for the 1st quarter of the 55th term (started October 1, 2020; ended December 31, 2020) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.