

Quarterly Report

(57th Term 1st Quarter)

Started October 1, 2022

Ended December 31, 2022

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

Table of Contents

Page

[Front Cover]

Section 1 [Information on the Company]	4
Part 1 [Overview of the Company]	4
1 [Key Financial Data]	4
2 [Description of Business]	4
Part 2 [Business Overview]	5
1 [Risk Factors]	5
2 [Management Analysis of Consolidated Financial Conditions, Operating Results, and Cash Flows]	5
3 [Material Agreements, etc.]	14
Part 3 [Information on the Company]	15
1 [Information on the Company's Stock]	15
(1) [Total number of shares, etc.]	15
(2) [Share subscription rights, etc.]	15
(3) [Exercise of bonds with share subscription rights containing a clause for exercise price adjustment, etc.]	15
(4) [Changes in total number of issued shares, capital stock, etc.]	15
(5) [Major shareholders]	15
(6) [Status of voting rights]	16
2 [Officers]	16
Part 4 [Financial Information]	17
1 [Quarterly Consolidated Financial Statements]	18
(1) [Quarterly consolidated balance sheets]	18
(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]	20
[Quarterly consolidated statements of income]	20
[Quarterly consolidated statements of comprehensive income]	21
2 [Other]	26
Section 2 [Information on Guarantors, etc., of the Company]	27

[Quarterly Review Report] [Confirmation Letter]

[Front Cover]

[Document filed]	Quarterly Report
[Applicable law]	Article 24-4-7, Paragraph 1, of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	February 13, 2023
[Quarterly accounting period]	57th Term 1st Quarter (from October 1, 2022, to December 31, 2022)
[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
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Phone number]	028-648-2111
[Contact person]	Kiyotsugu Nakanishi, Director, Managing Executive Officer, Chief of the Business Administration Headquarters
[Contact address]	2-1 Ageba-cho, Shinjuku-ku, Tokyo
[Phone number]	03-3235-5511
[Contact person]	Kiyotsugu Nakanishi, Director, Managing Executive Officer, Chief of the Business Administration Headquarters
[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)

Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Term & Period	56th Term 1st Quarter consolidated cumulative period	57th Term 1st Quarter consolidated cumulative period	56th Term
Accounting period	Started October 1, 2021; ended December 31, 2021	Started October 1, 2022; ended December 31, 2022	Started October 1, 2021; ended September 30, 2022
Net sales (million yen)	15,292	16,908	67,838
Ordinary income (million yen)	3,242	4,175	13,677
Quarterly (current) net income attributable to owners of parent (million yen)	2,228	2,890	9,317
Quarterly comprehensive income or comprehensive income (million yen)	2,117	3,831	8,902
Net assets (million yen)	82,409	88,941	87,325
Total assets (million yen)	98,860	105,006	109,225
Quarterly (current) net income per share (yen)	42.41	55.12	177.62
Quarterly (current) diluted net income per share (yen)	—	—	—
Equity ratio (%)	83.4	84.7	80.0

(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. 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.

3. 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 the business operated by 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., that arose 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

During the 1st Quarter consolidated cumulative period under review (hereinafter, “current 1st Quarter”), the Japanese economy showed signs of normalization amid an easing of the impact of the novel coronavirus (hereinafter, “COVID-19”). In spite of this, inflation resulting from the soaring prices of raw materials and the tightening of monetary policy around the world have weighed on economic recovery, and the future of the economy remains uncertain. Under these circumstances, the Japanese government has continued to implement various measures aimed at supporting the people and SMEs.

The Group has continued to develop systems and provide services that promptly cater to such a social environment and government initiatives while carrying out business operations that contribute to our customers as well as local communities and society.

The Accounting Firm Business Division supports certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) in their efforts to provide their clients with advisory services related to tax, accounting, guarantees, and management as escort supporters of SMEs.

The Local Governments Business Division has provided support for the implementation of a one-stop service for holders of My Number Card to complete their moving in/out procedures, to be launched under the partial amendment to the Basic Resident Registers Act, as well as for emergency support benefits to address the rising prices of electricity, gas, food, etc. It has also supported local governments in achieving the digital transformation of counter services by providing support services for the digitalization of administrative services.

As a result of these activities, the operating results for the current 1st Quarter of the consolidated Group comprising TKC Corporation and its six consolidated subsidiaries recorded a net sales of 16,908 million yen (increased 10.6% year-on-year), operating income of 4,012 million yen (increased 29.8% year-on-year), ordinary income of 4,175 million yen (increased 28.8% year-on-year), and quarterly net income attributable to owners of parent of 2,890 million yen (increased 29.7% year-on-year).

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

1. Results of operation for the 1st Quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD were 11,237 million yen (increased 5.6% year-on-year); operating income was 2,868 million yen (increased 2.2% year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 3.1% year-on-year. This was due to an increase in the number of accounting firms adopting the use of the Office Management System (OMS Cloud) for Tax Accounting Firms, which offers centralized management of the operations of accounting firms, for the first time.
- (ii) Software sales increased by 4.0% year-on-year. This was attributable to an increase in clients that have adopted the use of FX Cloud for the first time to comply with the Revised Act on Book and Record Keeping through Electronic Methods effective from January 2022 and the consumption tax invoicing system that will be launched in October 2023 through its standard features.
- (iii) Sales from consulting services increased by 4.8% year-on-year. This was due to strong sales of FX4 Cloud, an accounting system that caters to mid-size companies, and an increase in orders for startup support services.
- (iv) Hardware sales increased by 37.4% year-on-year. This was mainly attributable to funding under this year’s Subsidy Program for Introducing IT to Businesses for the Productivity Enhancement of Services, etc. (“Subsidies for Introduction of IT”), that had also covered the purchase of hardware, as well as an increase in customers replacing their PCs running Windows 8.1, for which support expired at the end of 2022.
- (v) Sales from supplies decreased by 2.2% year-on-year. While sales of office equipment that supports remote work and digitalization were strong, more clients are now transitioning to self-accounting and paperless operations, resulting in a decline in the demand for paper-based accounting supplies and printing-related consumables.
- (vi) Improvement in operating income year-on-year was a result of an increase in sales of computer services and software with higher profit margins.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD were 4,956 million yen (increased 26.8% year-on-year); operating income was 1,210 million yen (increased 856 million yen year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 11.7% year-on-year. This was attributable to the contracted preparation of application forms for the payment of emergency support benefits to address the rising prices of electricity, gas, food, etc., and vaccination tickets for COVID-19 vaccines administered from the fall of 2022.
 - (ii) Software sales increased by 56.6% year-on-year. This was attributable to an increase in sales year-on-year from the one-time system modifications required for the payment of emergency support benefits to address the rising prices of electricity, gas, food, etc., as well as the one-stop service for holders of My Number Card to complete their moving in/out procedures, which will be launched in February 2023 under the partial amendment to the Basic Resident Registers Act.
 - (iii) Sales from consulting services increased by 26.0% year-on-year. This was due to the introduction of the My Number Card issuance reservation and management system, for which orders were received until the previous fiscal year, as well as the full-scale operation of the mission-critical systems of Tendo-shi, Yamagata.
 - (iv) Hardware sales increased by 17.4% year-on-year. This was driven by the introduction of network devices and hardware devices associated with the renewal of mission-critical system devices as well as the introduction of hardware equipment associated with the launch of new services.
 - (v) Improvement in operating income year-on-year was a result of an increase in sales of software with higher profit margins due to a concentrated demand for one-time system modifications.
- (3) Net sales of the Printing Business Division (Subsidiary: TLP Corporation)
- Net sales of the Printing BD were 714 million yen (decreased 4.3% year-on-year); operating loss was 62 million yen (compared to an operating loss of 62 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 9.7% year-on-year. This was due to the lack of a need for printing services for entry tickets for the House of Representatives election held in October 2021 in the current period, as well as the cancellation of a large direct-mail order by a private company due to the customer's personal circumstances.
 - (ii) Business form-related sales increased by 16.1% year-on-year. This was driven by an increase in slip printing orders received from client companies that we had newly acquired in the previous fiscal year.
 - (iii) Sales related to the printing of commercial-use creative materials (catalogs, books, etc.) increased by 2.6% year-on-year. This was due to printing orders received from client companies for their anniversary activities.

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

(1) Prevention of COVID-19 infection and adapting to new working styles

As the outlook for the containment of the COVID-19 pandemic is still unpredictable, the Company continues to take the following infection prevention measures and adapt to new working styles in order to continue providing services to its customers:

- (i) To enable customers to continue using our cloud services, business form printing services, and help desk services, we have continued to strengthen our business continuity measures (including prohibiting the entry of outside personnel at important offices and developing infrastructure for the remote access of our data centers).
- (ii) Besides allowing our employees to work from home during normal times, we also actively utilize web conferencing systems for customer support and business meetings.

(2) Number of companies using the FX series surpasses 300,000

The number of companies using the FX series, which supports monthly settlements and strategic decision-making by management, has surpassed 300,000. (as of December 31, 2022)

(3) Launch of Invoice Manager 2022, which supports the sending and receiving of Peppol invoices

Invoice Manager 2022, which is capable of sending and receiving Peppol invoices, was launched on December 15, 2022. Companies using this system have already started to send/receive (issue and accept) Peppol invoices, and through the promotion of this service, we will actively support the adoption of Peppol invoices at medium- and large-sized companies as well as their digital transformation.

(4) Launch of operation of the first mission-critical business system in Japan as part of the Digital Agency's Gov-Cloud Preliminary Project

Misato Town in Saitama Prefecture launched the operation of its mission-critical business system on October 31, 2022, as part of the Gov-Cloud Preliminary Project, in which the Company is involved as a partner developer (application developer). This was followed by Kawajima Town's launch of its system in December. This was the first case in Japan of operating on Gov-Cloud, and we aim to harness the knowledge gained from this preliminary project to complete the migration of all customers to systems that are compliant with the standard specifications by the target deadline stipulated by the government (end of FY2025).

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 in close collaboration with the TKC National Federation (TKCNF), which consists of 11,500 certified public tax accountants and certified public accountants (as of December 31, 2022) that are customers of TKC.

(1) Activities aimed at achieving positive balance and proper filing

New activity policy of TKCNF and sales activities to achieve targets

(i) New activity policy of TKCNF

TKCNF has set a new activity policy for the next three years: "TKC accountants taking on the challenge of the future—push through field auditing and support companies in achieving positive balance and proper filing!" It has also set the following three targets to achieve the vision under this policy.

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

TKCNF has taken an oath to society that it will contribute to the achievement of positive balance for companies through the practice of field auditing and legal compliance. To support TKCNF in achieving these three targets, the Company will engage in sales activities focused on the promotion of self-accounting by the TKC method.

(ii) Initiatives aimed at fostering companies in good standing

TKC Group has established the following six criteria as indicators that SMEs should aim to achieve:

- Implementation of self-accounting by the TKC method
- Practice of Shomen-tempu (attachment of tax audit reports)
- Compliance with "Chusho Kaikei Yoryo" (Guidelines for SME Accounting)
- Increase of marginal income for two consecutive fiscal years
- Equity ratio of 30% or greater
- Positive net income before taxes

Companies that satisfy these criteria are defined as "BAST good-standing companies" in the TKC Management Indicators

(BAST), which contains the financial statement data of more than 240,000 companies.

By supporting an increase in the number of companies that abide by compliance requirements and work toward high value-added management under the guidance of TKC Members, we seek to appeal to society that TKC Members are escort supporters that work to foster companies in good standing.

(iii) Promotion of the use of the 365 Days Floating Income Statement

TKC's self-accounting system (FX series) includes features that support monthly settlements and the 365 Days Floating Income Statement, which supports decision-making by management. Unlike ordinary income statements, the 365 Days Floating Income Statement allows users to review their operating results by classifying their variable costs and fixed costs separately. Corporate managers using the FX series can keep track of the marginal profit (gross revenue) in managing their business. The Company is engaged in activities that seek to raise awareness that the 365 Days Floating Income Statement is an indispensable tool for management.

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

With the start of repayment of the virtually interest-free/unsecured loans ("zero/zero loans") extended during the COVID-19 pandemic, as well as inflation and soaring fuel costs, SMEs are currently facing a challenging business environment. In view of this, we have provided support for the utilization of management-strategy-level features (the 365 Days Floating Income Statement, performance evaluation matrix, budget registration, etc.) included in the FX series. Moreover, in order for management to utilize these features effectively, it is necessary for them to enter accounting transaction data in a prompt and accurate manner and establish a system for monthly settlements. Therefore, the Company has also provided support for daily-task-level features, including the utilization of a feature for receiving bank credit data, through which bank deposit transaction data can be received via online banking and journal entries generated automatically, as well as the integration of salary journals with the strategic salary information system (PX2).

As a result of these activities, the FX series has been implemented at more than 300,000 companies as of December 31, 2022. Through the implementation of the FX series, the Company will continue working to support SMEs in establishing a system for monthly settlements and achieving positive balance and proper filing.

(v) Supporting complete compliance with the Act on Book and Record Keeping through Electronic Methods

The requirements for the retention of electronic books have been eased under the Revised Act on Book and Record Keeping through Electronic Methods effective from January 1, 2022. With this, there will be a distinction among electronic books (i.e., electromagnetic records of national tax-related books): (a) "superior electronic books" that contain the history of additions, deletions, and revisions made to the accounting data (traceable) (electronic books that satisfy the requirements of both Article 2 and Article 5 of the Ordinance for Enforcement of the revised Act); and (b) "other electronic books" that are prepared using accounting software that does not keep records of such additions/deletions/revisions (electronic books that satisfy only the requirements of Article 2 of the Ordinance for Enforcement of the revised Act). This legal reform negates the "power of evidence" of the books, and the acceptance of such "other electronic books" implies that the government has approved the use of accounting software that may allow for the falsification of books. To address this issue, the Company is promoting the use of the FX series for the preparation of "superior electronic books" on a national level. In addition, electronic retention of electronic transaction data will be mandated under the Revised Act on Book and Record Keeping through Electronic Methods. We will also continue to support the use of the documentary proof storage feature of the FX series so that all businesses can support electronic transactions.

(vi) Supporting complete compliance with the new consumption tax invoicing system

To enable accounting firms to provide smooth support to their clients in adapting to the consumption tax invoicing system that will be launched on October 1, 2023, the Company is organizing on-demand seminars, providing explanatory materials, and planning other forms of support.

The FX series includes features to cross-check the names of business contacts in the Business Contacts Master against the information on NTA's qualified invoice issuer disclosure website, and to register or update their Business Operator Registration Numbers. Based on this information, companies can determine on a transaction basis whether the counterpart of each certain business transaction is a qualified invoice issuer, thereby ensuring the accurate calculation of consumption tax.

We have also completed the design of new journal entry screens and new taxation classifications in compliance with the consumption tax invoicing system and are informing TKC Members of these updates to provide them with greater peace of mind and confidence.

Additionally, the Company was certified as the first Peppol (Pan European Public Procurement Online) service provider in Japan on August 19, 2022, by the Digital Agency (the Japan Peppol Authority) and OpenPeppol (an association in Belgium responsible for the development and management of Peppol specifications). TKC's self-accounting system will utilize this framework and enhance its features to allow the issuance and receipt of Peppol-compliant e-invoices in a standardized manner.

(vii) Promotion of TKC Monitoring Information Service

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

While promoting the TKC Monitoring Information Service, the Company 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 Accountants 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 correlation between financial statements and tax returns for the past three years
- 3) The Chusho Kaikei Yoryo (Guidelines for SME Accounting) checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and the Japan Federation of Credit Guarantee Corporations

As a result of these activities, TKC Monitoring Information Service has been adopted by 481 financial institutions, including all local banks throughout Japan (62 institutions), as of December 31, 2022, with over 320,000 instances of use.

This service has been rated highly by financial institutions and credit guarantee corporations that support the management of SMEs, as it contributes to ensuring transparency through an accurate understanding of financial conditions and the timely and appropriate disclosure of information. It is expected to serve as a bridge between financial institutions and TKC Members in their efforts to serve as escort supporters of SMEs.

(viii) Soliciting new members (promoting membership of TKCNF)

TKCNF has set a goal of having at least 1,000 firms join the federation as new TKC Members over the three-year period from 2022 to 2024. To achieve this goal, the Company has strengthened its collaboration with the TKCNF New Members Service Committee and held the New Members Forum in Kanazawa in November 2022, which attracted around 800 new TKC Members and non-members. As a result of these activities, the number of accounting firms that are TKC Member firms totaled approximately 9,800 (11,500 accountants) as of December 31, 2022.

The difference in the numbers of firms and accountants is because some firms have multiple accountants who are members.

(2) Activities aimed at supporting the preparation of highly reliable financial statements based on timely and accurate bookkeeping

(i) Activities to support the adoption of Chusho Kaikei Yoryo (Guidelines for SME accounting)

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

These Guidelines have been formulated based on the following principles: (i) accounting that helps to clarify the company's business conditions; (ii) accounting that contributes to providing information to stakeholders (financial institutions, etc.); (iii) accounting that complies with the Regulation on Corporate Accounting while achieving greater unity of accounting and the taxation system; and (iv) accounting that does not place excessive burden on SMEs.

In order to support the activities of TKCNF aimed at the adoption and utilization of these Guidelines, the Company continues to develop training materials and collaborate with other organizations supporting SMEs.

(ii) Issuance of Certificate of Bookkeeping Timeliness

The Company utilizes the processing log data and historical time series data automatically logged at our data centers when TKC Members access our accounting system to issue Certificates of Bookkeeping Timeliness free of charge. This Certificate serves as reference for financial institutions, etc., to objectively evaluate the business performance of TKC Member firms. This service was developed with the aim of improving the reliability of financial statements and tax returns prepared by TKC Members and facilitating smooth financing for the clients of TKC Members. By utilizing a feature of the Company's financial/accounting processing operations at TKC data centers that prohibits any retroactive insertions, deletions, or corrections to past data, we can prove, 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 in a comprehensive and timely manner.

(3) Expansion into the large-scale enterprise market

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

(i) Adapting to the Group Tax Sharing System

The consolidated taxation system has been reformed for the fiscal year starting after April 1, 2022, and the new group tax sharing system is now applicable.

Based on the expertise accumulated to date, the Company has developed the “Group Tax Sharing System (e-TAX Group

Sharing),” which complies with the group tax sharing system and has been offered since August 2022. We have worked closely with TKCNF’s Medium- and Large-sized Companies Support Council (1,555 members as of December 31, 2022) over the fiscal year ended September 2022 to support the interim tax returns of companies whose fiscal year ends in March for the first time under the group tax sharing system.

Through these activities, approximately 40% of the 21,000-odd companies with a capital of 100 million yen or greater now use our electronic tax filing system for corporations (ASP1000R), our consolidated tax payment system (eConsoliTax), and our Group Tax Sharing System (e-TAX Group Sharing) as of December 31, 2022.

(ii) Adapting to the Revised Act on Book and Record Keeping through Electronic Methods and the consumption tax invoicing system

The requirements for the retention of electronic books have been eased under the Revised Act on Book and Record Keeping through Electronic Methods effective from January 2022, under which the electronic retention of electronic transaction data has been mandated (with safe harbor rules in place until the end of December 2023).

Moreover, as the consumption tax invoicing system will be launched in October 2023, the development of a system that supports e-invoices and initiatives to promote the system are currently underway. In December 2022, the Company became one of the first to offer Invoice Manager 2022, which allows users to send and receive e-invoices through the Peppol network. In conjunction with this, we held a two-week seminar to announce the launch of Invoice Manager 2022, which attracted over 1,000 participants. Separately, to provide support for compliance with these legal reforms, we held the “TKC Invoicing System Seminar,” which attracted approximately 3,000 participants.

(iii) Expansion of our market share among large-scale enterprises and the client base of TKC Members

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution was approximately 5,000 as of December 31, 2022. Also, 92% of the 100 largest listed companies in Japan by sales now use our systems. With this, our market share among listed companies in Japan has reached 42%.

(4) Market expansion for legal information database services

(i) Expanding the user base of TKC Law Library

To enhance the value of using TKC Law Library as a standard service for legal research, we are working to expand the basic services of the library, such as judicial precedents, laws, documents, as well as law journals, other article collections, and related sources of supplementary information. We are also promoting the use of our packaging service that gathers such content into collections that cater to law firms and corporate legal departments. Since November 2022, we have been providing support for the effective use of this service by periodically sending out email magazines containing recommended articles, etc., to our customers and establishing a system that offers direct access to the service. As a result of these activities, there has been a transition from paper-based research that makes use of reference rooms and libraries to online research, as well as a greater adoption of our packaging service. TKC Law Library has been rated highly as the only legal research service that encompasses comprehensive law-related information by collecting and providing access to information on judicial precedents, laws, and documents, as well as major law journals and specialized books, leading to a steady rise in the number of subscriptions.

In the current 1st Quarter, the number of users has surpassed 57,000 IDs as a result of promotional efforts aimed at TKC Member firms, universities, law schools, government offices, law firms, patent offices, corporate legal departments, as well as overseas institutions and universities, with over 25,000 institutions using the Library as of December 31, 2022.

(ii) Progress in the academic market

While many universities and law schools are reverting to face-to-face classes, they still conduct classes in a variety of formats, including the incorporation of hybrid classes with online components. Our TKC Educational and Research Support System and TKC Law Library are rated highly by faculty members and students because they can be used online anytime, anywhere, and contain a diverse variety of content that surpasses that of other companies. They are also equipped with various features such as report submission, online exercises, tests, and other components that support classes and self-study. They have thus contributed to the development of the learning environment in universities by serving as part of the online system infrastructure that supports classes and learning.

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, Paragraph 2: "Management of electronic data processing centers to improve the administrative efficiency of local governments") and offers specialized information services that serve to help promote the welfare of residents by improving administrative efficiency.

The Company provides the TKC Government Cloud Service to municipalities. This cloud service comprises the TASK Cloud Service and the TASK Outsourcing Service. The TASK Cloud Service consists of mission-critical system-related services for managing Basic Resident Registers and tax affairs information, internal information system-related services that include financial

accounting (public accounting) and payroll calculations, and support services for the digitalization of administrative services that include online applications for administrative procedures. The Service has been adopted by more than 1,100 municipalities (prefectures, cities, wards, towns, villages, etc.) as of December 31, 2022.

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

Our TASK Cloud Service is a single-version package system operated at our data centers that is designed to allow shared usage by multiple institutions. Service fees are charged in the form of a subscription fee, which also includes one regular upgrade per year. The TASK Outsourcing Service is offered to client municipalities of our mission-critical system-related services and supports massive batch output processing of forms such as tax papers and entry tickets for elections. In the current period under review, we provided these client municipalities with aggressive support for their vaccination programs by promptly offering systems for the round of COVID-19 vaccination that started in the fall of 2022. In recognition of this, our mission-critical system-related services have been adopted by approximately 170 local municipalities as of December 31, 2022.

(2) Support for the digitalization and online provision of administrative services (administrative procedures)

In order to contribute to promoting the digital transformation of local governments, the Company provides support services for the digitalization of administrative services that allow these governments to achieve administrative counter services with “no visiting, no waiting, and no writing.”

During the current 1st Quarter, we have greatly enhanced the functionalities of the TASK Cloud Smart Application System, the TASK Cloud Easy Counter Service System, and the TASK Cloud My Number Card Issuance Reservation and Management System. As a result of this, the TASK Cloud Smart Application System has been adopted by at least 30 agencies, including government ordinance-designated cities such as Osaka and Yokohama, while the TASK Cloud Easy Counter Service System and the TASK Cloud My Number Card Issuance Reservation and Management System have been adopted by at least 50 agencies and around 150 agencies, respectively, as of December 31, 2022.

(3) Support for the digitalization of local tax administrations

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

In promoting these services, we have jointly developed proposals with 50 partner companies with which we have ongoing alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is currently used by approximately 790 agencies, which account for more than 40% of all prefectures and local municipalities, as of December 31, 2022.

In the current period under review, we have also worked together with our partner companies to support the implementation of systems that cater to the additional tax items for the common local tax payment system that will be launched in April 2023.

(4) Development and provision of a financial accounting system that is fully compliant with the local public accounting system

The Company provides the TASK Cloud Public Accounting System, which is compatible with the daily journalizing method and the financial statement generation features based on the standardized criteria formulated by the Ministry of Internal Affairs and Communications, as well as its related systems TASK Cloud Non-current Assets Control System and TASK Cloud Consolidated Financial Statement Generation System.

In the current period under review, we launched the next-generation version of our public accounting system with enhanced features that support sustainable financial management through the visualization of financial status and the digital transformation of internal administrative tasks through electronic payments and integration with electronic invoicing. As a result, the TASK Cloud Public Accounting System has been adopted by approximately 300 agencies as of December 31, 2022.

(5) Research and development of next-generation products

On October 7, 2022, the Basic Policy on the Standardization of Local Government Information Systems was approved by the cabinet. This requires municipalities to migrate their mission-critical business systems (20 operations) to applications (standard spec-compliant systems) built on Gov-Cloud that comply with the standardized criteria by the end of FY2025.

To respond to changes in the environment surrounding local governments, the Company has organized Local Government Digital Transformation Promotion Seminars designed for client municipalities and is working to strengthen customer support through the collection and dissemination of the latest information on the standardization of local government information systems.

Also, to support the digitalization of administrative services as set out in Version 2.0 of the Local Government Digital Transformation (DX) Promotion Plan announced by the Ministry of Internal Affairs and Communications on September 2, 2022, we have continued to engage in the research, study, and development of next-generation solutions through joint demonstration projects with leading organizations, etc.

5. Business activities and operating results of the Printing Business Division

The Group’s Printing BD operates with a primary focus on data print services (hereinafter, “DPS”), business form printing, and the printing of commercial-use creative materials.

In the area of DPS, sales declined year-on-year due to the lack of a need for printing services for entry tickets for the House of Representatives election held in October 2021 in the current period, as well as the cancellation of a large direct-mail order by a private company due to the customer's personal circumstances, even though we received orders from municipalities for vaccination tickets for their vaccination programs and for notifications of support benefits to address inflation.

In the area of business form printing, net sales increased year-on-year as a result of slip printing orders received from client companies that we had newly acquired in the previous fiscal year despite the declining use of business forms and slips as more businesses are going paperless.

For the printing of commercial-use creative materials (catalogs, books, etc.), net sales increased year-on-year due to the printing orders received from client companies for their anniversary activities.

In line with our aim of offering environmentally-conscious customers with environmentally-friendly paper products, TLP Corporation, the Group's printing business division, acquired the FSC® Chain of Custody (CoC) certification (FSC-C182216) on October 3, 2022. This has allowed us to print the FSC certification mark on our paper products. Under this certification system, companies are required to use materials sourced from FSC-certified forests and other responsible suppliers, and to have responsible management and printing/processing operations in place.

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 105,006 million yen, a 4,219 million yen decrease from the 109,225 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 37,252 million yen, a 3,463 million yen decrease from the 40,715 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 3,159 million yen in cash and deposits.

(2) Non-current assets

Non-current assets as of the end of the current 1st Quarter consolidated accounting period amounted to 67,754 million yen, a 756 million yen decrease from the 68,510 million yen as of the end of the previous consolidated fiscal year.

This was mainly due to a 1,663 million yen decrease in long-term deferred tax assets included in Other, despite a 1,283 million yen increase in investment securities.

2. Liabilities

Total liabilities as of the end of the current 1st Quarter consolidated accounting period amounted to 16,064 million yen, a 5,834 million yen decrease from the 21,899 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 12,015 million yen, a 5,664 million yen decrease from the 17,679 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 3,501 million yen decrease in provisions for bonuses, a 3,066 million yen decrease in income taxes payable, and a 701 million yen decrease in accounts payable–trade, despite a 1,376 million yen increase in deposits received included in Other.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 1st Quarter consolidated accounting period amounted to 4,049 million yen, a 170 million yen decrease from the 4,219 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 105 million yen decrease in long-term lease obligations and a 55 million yen decrease in retirement benefit liabilities.

3. Net assets

Total net assets as of the end of the current 1st Quarter consolidated accounting period amounted to 88,941 million yen, a 1,615 million yen increase from the 87,325 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 898 million yen in valuation difference on available-for-sale securities and an increase of 679 million yen in retained earnings.

Equity ratio as of the end of the current 1st Quarter consolidated accounting period was 84.7%, a 4.8 percentage point increase from the ratio of 80.0% as of the end of the previous consolidated fiscal year.

III. Operational and Financial Challenges Facing TKC Group

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

IV. Research and Development Activities

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

There are no significant changes in the status of research and development activities under 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	120,000,000
Total	120,000,000

(ii) [Issued shares]

Class	Number of shares issued as of the end of 1st Quarter accounting period (shares) (December 31, 2022)	Number of shares issued as of the filing date (shares) (February 13, 2023)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	53,462,066	53,462,066	Prime Market of the Tokyo Stock Exchange	Number of shares constituting a unit: 100 shares
Total	53,462,066	53,462,066	—	—

(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 (million yen)	Balance of capital stock (million yen)	Increase or decrease in capital reserve (million yen)	Balance of capital reserve (million yen)
October 1, 2022 - December 31, 2022	—	53,462,066	—	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 is based on the shareholders registry as of the most recent record date (September 30, 2022) because the content of the shareholders registry cannot be verified and reflected.

(i) [Shares issued]

As of September 30, 2022

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 829,400	—	—
Shares with full voting right (others)	Common stock 52,556,100	525,561	—
Shares less than one share unit	Common stock 76,566	—	—
Total number of shares issued	53,462,066	—	—
Total voting rights held by all shareholders	—	525,561	—

(Notes) Shares with full voting right (others) include 1,300 shares (13 units of voting rights) registered in the name of the Japan Securities Depository Center, Inc., and 206,000 shares (2,060 units of voting rights) owned by the BIP Trust.

(ii) [Treasury stock, etc.]

As of September 30, 2022

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	829,400	—	829,400	1.55
Total	—	829,400	—	829,400	1.55

(Notes) In addition to the above, the 206,000 shares owned by the BIP Trust are recorded as treasury stocks.

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 the 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, 2022, to December 31, 2022) and the 1st Quarter consolidated cumulative period (from October 1, 2022, to December 31, 2022) have undergone quarterly review by Ernst & Young ShinNihon LLC pursuant to the provisions 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: million yen)

	Previous consolidated fiscal year (September 30, 2022)	Current 1st Quarter consolidated accounting period (December 31, 2022)
Assets		
Current assets		
Cash and deposits	29,920	26,760
Notes, accounts receivable, and contract assets	8,320	8,004
Inventories	494	551
Other	1,993	1,946
Allowance for doubtful accounts	(12)	(11)
Total current assets	40,715	37,252
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net amount)	7,651	7,525
Land	6,802	6,852
Other (net amount)	2,699	2,573
Total property, plant, and equipment	17,153	16,952
Intangible assets	4,666	4,655
Investments and other assets		
Investment securities	18,748	20,032
Long-term time deposits	17,700	17,700
Guarantee deposits	1,486	1,456
Other	8,754	6,958
Total investments and other assets	46,689	46,146
Total non-current assets	68,510	67,754
Total assets	109,225	105,006
Liabilities		
Current liabilities		
Accounts payable—trade	2,973	2,272
Electronically recorded obligations—operating	799	776
Short-term loans payable	71	71
Accounts payable—other	3,499	2,880
Income taxes payable	3,167	100
Contract liabilities	811	890
Provisions for bonuses	4,953	1,452
Other	1,403	3,569
Total current liabilities	17,679	12,015
Non-current liabilities		
Long-term loans payable	142	142
Retirement benefit liabilities	2,806	2,750
Provisions for stocks payment	306	316
Other	964	840
Total non-current liabilities	4,219	4,049
Total liabilities	21,899	16,064

(Unit: million yen)

	Previous consolidated fiscal year (September 30, 2022)	Current 1st Quarter consolidated accounting period (December 31, 2022)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,589	6,589
Retained earnings	78,743	79,422
Treasury stock	(2,359)	(2,365)
Total shareholders' equity	88,672	89,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(138)	759
Accumulated remeasurements of defined benefit plans	(1,207)	(1,164)
Total accumulated other comprehensive income	(1,346)	(404)
Total net assets	87,325	88,941
Total liabilities and net assets	109,225	105,006

(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]
[Quarterly consolidated statements of income]
[1st Quarter consolidated cumulative period]

(Unit: million yen)

	Previous 1st Quarter consolidated cumulative period (Started October 1, 2021; ended December 31, 2021)	Current 1st Quarter consolidated cumulative period (Started October 1, 2022; ended December 31, 2022)
Net sales	15,292	16,908
Cost of sales	4,348	4,927
Gross profit	10,943	11,981
Selling, general, and administrative expenses	7,852	7,969
Operating income	3,091	4,012
Non-operating income		
Interest income	16	17
Dividends income	83	96
Insurance dividends income	18	21
Land and house rent received	13	10
Equity in earnings of affiliates	—	8
Other	18	9
Total non-operating income	151	163
Non-operating expenses		
Interest expenses	0	—
Treasury stock acquisition expenses	0	—
Other	—	0
Total non-operating expenses	0	0
Ordinary income	3,242	4,175
Extraordinary income		
Gains on sale of non-current assets	0	—
Gains on sale of investment securities	—	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	1	6
Total extraordinary losses	1	6
Quarterly net income before taxes and adjustments	3,241	4,169
Income taxes—current	45	30
Income taxes—deferred	967	1,249
Total income taxes	1,013	1,279
Quarterly net income	2,228	2,890
Quarterly net income attributable to owners of parent	2,228	2,890

[Quarterly consolidated statements of comprehensive income]
[1st Quarter consolidated cumulative period]

(Unit: million yen)

	Previous 1st Quarter consolidated cumulative period (Started October 1, 2021; ended December 31, 2021)	Current 1st Quarter consolidated cumulative period (Started October 1, 2022; ended December 31, 2022)
Quarterly net income	2,228	2,890
Other comprehensive income		
Valuation difference on available-for-sale securities	(154)	898
Remeasurements of defined benefit plans	43	43
Total other comprehensive income	(110)	941
Quarterly comprehensive income	2,117	3,831
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	2,117	3,831

[Notes to Financial Statements]

(Additional Information)

(Stock-based compensation plan for officers)

1. Outline of transaction

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

The proposal to change the stock-based compensation 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 it was 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 based on the book values in the trust (not including expenses attributable thereto). The book value and number of stocks of said treasury stocks were 407 million yen and 206,000 shares, respectively, as of the end of the current 1st Quarter consolidated accounting period.

(Application of the Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system as of the current 1st Quarter consolidated accounting period. In accordance with this, the Company and its consolidated subsidiaries have adopted the "Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System" (ABSJ Practical Solution No. 42, issued August 12, 2021; hereinafter, "Practical Solution No. 42") for the accounting processing and disclosure of income taxes, local corporate taxes, and tax effect accounting. Based on Paragraph 32(1) of Practical Solution No. 42, we have deemed that there is no impact from the change in accounting policy resulting from the application of Practical Solution No. 42.

(Notes to the quarterly consolidated statements of cash flows)

The Company has not prepared quarterly consolidated statements of cash flows for the current 1st Quarter consolidated cumulative period. Depreciation (including amortization of intangible assets) for the current 1st Quarter consolidated cumulative period is as follows:

	Previous 1st Quarter consolidated cumulative period (Started October 1, 2021; ended December 31, 2021)	Current 1st Quarter consolidated cumulative period (Started October 1, 2022; ended December 31, 2022)
Depreciation	721 million yen	939 million yen

(Notes to shareholders' equity, etc.)

I. Previous 1st Quarter consolidated cumulative period (Started October 1, 2021; ended December 31, 2021)

Dividend payments

Resolution	Class of shares	Total amount of cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 17, 2021 Ordinary General Meeting of Shareholders	Common stock	2,090	39.50	September 30, 2021	December 20, 2021	Retained earnings

(Notes) The total amount of cash dividends determined by resolution at the Ordinary General Meeting of Shareholders on December 17, 2021, includes a cash dividend of 8 million yen for the stocks of the Company owned by the BIP Trust.

II. Current 1st Quarter consolidated cumulative period (Started October 1, 2022; ended December 31, 2022)

Dividend payments

Resolution	Class of shares	Total amount of cash dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 16, 2022 Ordinary General Meeting of Shareholders	Common stock	2,210	42.00	September 30, 2022	December 19, 2022	Retained earnings

(Notes) The total amount of cash dividends determined by resolution at the Ordinary General Meeting of Shareholders on December 16, 2022, includes a cash dividend of 8 million yen for 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, 2021; ended December 31, 2021)

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

(Unit: million 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	10,638	3,907	746	15,292	—	15,292
(2) Inter-segment sales or transfers	0	0	383	384	(384)	—
Total	10,639	3,907	1,130	15,677	(384)	15,292
Segment profit (loss)	2,807	354	(62)	3,098	(7)	3,091

(Notes) 1. Adjustments of segment loss of 7 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, 2022; ended December 31, 2022)

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

(Unit: million yen)

	Reportable segment				Adjustment s (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	11,237	4,956	714	16,908	—	16,908
(2) Inter-segment sales or transfers	1	0	419	421	(421)	—
Total	11,239	4,956	1,134	17,330	(421)	16,908
Segment profit (loss)	2,868	1,210	(62)	4,015	(3)	4,012

(Notes) 1. Adjustments of segment loss of 3 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.

(Revenue Recognition)

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

Previous 1st Quarter consolidated cumulative period (Started October 1, 2021; ended December 31, 2021)

(Unit: million yen)

	Reportable segment			Total
	Accounting Firm BD	Local Governments BD	Printing BD	
Revenue from computer services	3,716	1,850	—	5,566
Software sales	4,288	1,166	—	5,455
Revenue from consulting	1,680	214	—	1,895
Office equipment sales	686	675	—	1,361
Accounting supplies sales	266	—	—	266
Revenue from printing-related services	—	—	746	746
Sales to outside customers	10,638	3,907	746	15,292

Current 1st Quarter consolidated cumulative period (Started October 1, 2022; ended December 31, 2022)

(Unit: million yen)

	Reportable segment			Total
	Accounting Firm BD	Local Governments BD	Printing BD	
Revenue from computer services	3,829	2,066	—	5,895
Software sales	4,431	1,827	—	6,258
Revenue from consulting	1,760	270	—	2,031
Office equipment sales	944	792	—	1,736
Accounting supplies sales	271	—	—	271
Revenue from printing-related services	—	—	714	714
Sales to outside customers	11,237	4,956	714	16,908

(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, 2021; ended December 31, 2021)	Current 1st Quarter consolidated cumulative period (Started October 1, 2022; ended December 31, 2022)
Quarterly net income per share	42.41 yen	55.12 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (million yen)	2,228	2,890
Amount not attributable to common shareholders (million yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (million yen)	2,228	2,890
Average number of common stocks outstanding (hundreds of shares)	525,435	524,264

(Notes) 1. The average number of stocks outstanding used in the calculation of the earnings per share information has been determined by including the stocks of the Company owned by the BIP Trust (which was established with the introduction of the BIP Trust plan) as deductible treasury stocks.

The average numbers of said treasury stocks outstanding deducted for the calculation of quarterly net income per share were 219,800 shares for the previous 1st Quarter consolidated cumulative period and 206,000 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 13, 2023

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated Limited Liability Partner Certified Public
Engagement Partner Accountant Shigeyuki Honda

Designated Limited Liability Partner Certified Public
Engagement Partner Accountant Toru Iizuka

Auditor's Conclusion

Pursuant to Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, we have conducted a quarterly review of the quarterly consolidated financial statements presented in the Financial Information section, which comprise the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, and notes of TKC Corporation applicable to the 1st Quarter consolidated accounting period (from October 1, 2022, to December 31, 2022) and the 1st Quarter consolidated cumulative period (from October 1, 2022, to December 31, 2022) of the consolidated fiscal year started October 1, 2022, and ending September 30, 2023.

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 do not properly represent, in all material respects, the financial position of TKC Corporation and its consolidated subsidiaries as of December 31, 2022, and their financial performance for the 1st Quarter consolidated cumulative period then ended in conformity with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan.

Basis for Auditor's Conclusion

We have conducted our quarterly review in accordance with the 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 Quarterly Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan, and we have also fulfilled our other ethical responsibilities as auditors. We believe that we have obtained the evidence required to provide a basis for our conclusion.

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

Management is responsible for the preparation and proper presentation of quarterly consolidated financial statements in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan. Responsibilities include designing and implementing the internal control determined by management as necessary to enable the preparation and proper presentation of quarterly consolidated financial statements that are free from material misstatement, whether 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, where applicable, matters related to going concern in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan.

Corporate auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties in designing and implementing the financial reporting process.

Auditors' Responsibilities for the Quarterly Review of Quarterly Consolidated Financial Statements

Our responsibility as auditors is to express a conclusion on the quarterly consolidated financial statements in our quarterly review report from an independent standpoint based on our quarterly review.

In accordance with the quarterly review standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the quarterly review.

- We principally make inquiries to management and persons responsible for financial and accounting matters and perform analytical procedures and other quarterly review procedures. The procedure for quarterly reviews is a limited procedure compared to the procedure for annual financial statements performed in accordance with the auditing standards generally accepted in Japan.
- If we determine that there exists a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, we will present our conclusion, based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements have not been properly presented in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan. If we

conclude that such material uncertainty exists, we are required to draw attention in our quarterly review report to the related notes in the quarterly consolidated financial statements or, if such notes about the material uncertainty are inadequate, to express a qualified conclusion or negative conclusion on the quarterly consolidated financial statements. Our conclusions are based on the 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.

- We evaluate whether anything has come to our attention that causes us to believe that the presentation and notes of the quarterly consolidated financial statements are not in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan; and whether anything has come to our attention that causes us to believe that the overall presentation, structure, or content of the quarterly consolidated financial statements, including the related notes thereto, or the quarterly consolidated financial statements themselves, do not represent the underlying transactions and accounting-related events in a manner that constitutes proper presentation.
- We obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express a conclusion 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 conclusion.

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

We also provide corporate auditors and the Board of Auditors with a statement that we have complied with regulations on professional ethics in Japan regarding independence and communicate with them all matters that may reasonably be thought to bear on our independence as well as, where applicable, the related safeguards to eliminate or mitigate factors that may hinder our independence.

Conflicts of Interest

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

End of document

(Notes) 1. The original copy of the above quarterly review report is retained 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 13, 2023
[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, Managing Executive Officer, Chief of the Business Administration Headquarters
[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 57th term (started October 1, 2022; ended December 31, 2022) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.