

# Quarterly Report

(55th Term 2nd Quarter)

Started January 1, 2021

Ended March 31, 2021

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 2nd quarter consolidated cumulative period	55th Term 2nd quarter consolidated cumulative period	54th Term
Accounting period	Started October 1, 2019; ended March 31, 2020	Started October 1, 2020; ended March 31, 2021	Started October 1, 2019; ended September 30, 2020
Net sales (millions of yen)	35,137	33,372	67,814
Ordinary income (millions of yen)	7,149	8,086	11,685
Quarterly (current) net income attributable to owners of parent (millions of yen)	4,712	5,495	7,821
Quarterly comprehensive income or comprehensive income (millions of yen)	4,112	6,319	7,501
Net assets (millions of yen)	75,144	81,611	77,075
Total assets (millions of yen)	95,412	101,067	97,671
Quarterly (current) net income per share (yen)	89.66	104.42	148.81
Quarterly (current) diluted net income per share (yen)	—	—	—
Equity ratio (%)	78.8	80.7	78.9
Cash flows from operating activities (millions of yen)	2,726	3,154	10,569
Cash flows from investing activities (millions of yen)	(6,702)	(3,074)	(10,124)
Cash flows from financing activities (millions of yen)	(1,545)	(1,852)	(3,786)
Cash and cash equivalents at end of quarter (millions of yen)	21,289	21,697	23,469

Term & Period	54th Term 2nd quarter consolidated accounting period	55th Term 2nd quarter consolidated accounting period
Accounting period	Started January 1, 2020; ended March 31, 2020	Started January 1, 2021; ended March 31, 2021
Quarterly net income per share (yen)	59.32	68.73

- (Notes)
- Changes in key financial data, etc. of the Company are not stated here, as they are included in the Company's quarterly consolidated financial statements.
  - Net sales do not include consumption taxes (consumption tax and local consumption tax; hereinafter the same).
  - The Company 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.
  - The quarterly (current) diluted net income per share is not stated as there were no dilutive shares.
  - The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The quarterly (current) net income per share has been calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.
  - The reason for decrease in net sales compared to the previous fiscal year is because the Company started applying the Accounting Standard for Revenue Recognition as of the beginning of fiscal year ending 2021. For details, please refer to Notes (Changes in Accounting Policies) on Page 23.

#### 2 [Description of Business]

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

## Part 2 [Business Overview]

### 1 [Risk Factors]

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

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

#### I. Explanation on Operating Results

The economic climate in Japan during the 2nd quarter consolidated cumulative period under review (“current 2nd Quarter”) remains severe due to the impacts of global spread of the novel coronavirus disease (COVID-19). In Japan, companies are forced to take infection prevention measures in conducting their economic activities, and it is anticipated that companies must continue making careful judgments.

In such economic climate, the Company continued on from the previous fiscal year with its policy to focus all its efforts 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 their clients with 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 Member firms, upon request by their clients, disclose the company’s settlement, etc. 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 260,000 cases as of March 31, 2021.

The Local Governments Business Division began providing services 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 revision of the vaccination ledger system, etc., issuance of vaccine coupons, and vaccination reservation & registration system.

As a result of these activities, the operating results for the current 2nd Quarter of the consolidated Group comprising of TKC Corporation and its six consolidated subsidiaries recorded a net sales of 33,372 million yen (decreased 5.0% year-on-year), operating income of 7,906 million yen (increased 13.1% year-on-year), ordinary income of 8,086 million yen (increased 13.1% year-on-year), and quarterly net income attributable to owners of parent of 5,495 million yen (increased 16.6% year-on-year).

The reason for decrease in net sales compared to the previous fiscal year is 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 mandatory for listed companies starting April 1, 2021. As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 1,135 million yen compared to the amount recognized if said Standard had not been applied. 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 said Standard and provide such know-how in its consulting services for listed companies.

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

#### 1. Results of operation of the Group for the 2nd Quarter

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

Net sales of the Accounting Firm BD were 22,466 million yen (decreased 4.4% year-on-year); operating income was 5,990 million yen (increased 11.7% year-on-year). Breakdown of sales is as follows:

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 876 million yen, while operating income increased by 262 million yen compared to the amounts if said Standard had not been applied.

- (i) Sales from computer services increased by 1.6% year-on-year. Medium-size companies are rapidly working towards digital transformation (DX), and in such climate, this increase 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 and the OMS Mobile which allows accounting firms to perform works using the OMS from home or outside their offices.
- (ii) Software sales increased by 6.6% 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 fully 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. As a result of applying the Revenue Recognition Accounting Standard, net sales increased by 266 million yen compared to the amount recognized if said Standard had not been applied. This was because the Company changed the method of recognizing the net sales of software which were conventionally

recognized as lump sum upon shipment, where now, software subject to proportional division are recognized on a monthly basis. Note that this difference will occur only in the first fiscal year in which the Revenue Recognition Accounting Standard is applied.

- (iii) Hardware sales decreased by 19.4% year-on-year. This was due to customers having completed their first round of PC replacements last year in response to the termination of Microsoft's Windows 7 support in January 2020, and PC sales reverting back to the usual level.
- (iv) Sales from supplies decreased by 67.0% year-on-year. With the application of the Revenue Recognition Accounting Standard, transactions of accounting slips and office equipment for accounting firms now fall under "agent transaction." As such, while sales from office equipment for remote works and infection prevention supplies were strong, net sales decreased by 1,099 million yen compared to the amount recognized if said Standard had not been applied.
- (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 were 9,358 million yen (decreased 4.8% year-on-year); operating income was 2,028 million yen (increased 22.7% year-on-year). Breakdown of sales is as follows:

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 233 million yen, while operating income increased by 163 million yen compared to the amounts if said Standard had not been applied.

- (i) Sales from computer services increased by 12.0% year-on-year. This was driven by increase in sales from the new customer outsourcing services whose system was fully launched in FY2020, increase in data center usage fees, the winning of vaccination coupon issuance service under the government's project of Establishing COVID-19 Vaccination Systems, etc.
- (ii) Software sales decreased by 21.0% year-on-year. This was due to decrease in temporary sales in response to legal reforms recorded in the previous fiscal year, including sales from system revisions for the free preschool education subsidy program. As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 109 million yen compared to the amount recognized if said Standard had not been applied.
- (iii) Sales from consulting services decreased 12.2% year-on-year. This was due to the accounting processing which is unique to the first fiscal year of applying the Revenue Recognition Accounting Standard (recognizing the development costs prior to the previous fiscal year as cumulative effect of changes in accounting principle). As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 122 million yen compared to the amount recognized if said Standard had not been applied.
- (iv) Hardware sales increased by 10.3% year-on-year. This was due to increase in renewal of servers and peripheral equipment by customers compared to the previous fiscal year.
- (v) The increase in operating income year-on-year was a result of significant decrease in travel expenses by switching the style of customer support and promotional activities to remote using the online meeting system.

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

Net sales of the Printing BD were 1,547 million yen (decreased 13.9% year-on-year); operating loss was 117 million yen (operating loss of 17 million yen in the 2nd quarter of the previous fiscal year). Breakdown of sales is as follows:

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 25 million yen compared to the amount recognized if said Standard had not been applied. There were no impacts to the amount of operating loss.

- (i) Sales of data printing service-related products decreased by 7.8% year-on-year. This was due to continuously 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 10.7% year-on-year. This was due to ongoing decline in demands for business forms, as companies are switching over to digitization 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 18.2% year-on-year. This was due to decrease in demands for printed materials and flyers for events, etc. from the cancellation/postponement of events, etc. and switching to webinars one after another impacted by COVID-19.

## 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 areas subject to declaration of state of emergency. For other areas, our target for attendance is 70% (40% for the development division). We also make it a general rule to conduct customer support and business meetings using the Web meeting systems.
- (2) Transfer of shares without charge by the Chairman Emeritus of the Company to TKC Members

In March 2021, Masaharu Iizuka, Chairman Emeritus of the Company, transferred without charge, the common shares of the Company personally owned by himself to 155 TKC Members who practice Shomen-tempu (attachment of tax audit reports) pursuant to Article 33-2 of the Certified Public Tax Accountant Act of Japan.

This transfer without charge has been conducted since March 2018, transferring up to one million shares of the Company. TKC Members who promote Shomen-tempu are eligible, and transfer without charge was made to a total of 1,138 Members in the past four years.

Masaharu Iizuka, together with his brother late Kazuaki Iizuka (former vice president of the Company), had also transferred a total of three million shares of the Company owned in person to 6,653 TKC Members without charge in 2006.

- (3) Acquisition of patents pertaining to systems, etc.

The Company acquired the following four patents:

- (i) Patent pertaining to “System, Method, and Program for Welfare Consultation Support” (Acquired on October 16, 2020; Patent No. 6780144)
- (ii) Patent pertaining to “Instrument, Method, and Program for the Generation of Genogram and Eco-map” (Acquired on January 8, 2021; Patent No. 6821846)
- (iii) Patent pertaining to “Instrument, Method, and Program for the Reading of Card Information” (Acquired on January 8, 2021; Patent No. 6821847)
- (iv) Patent pertaining to “Instrument, Method, and Program for Facility Acceptance Coordination” (Acquired on February 19, 2021; Patent No. 6840882)

- (4) Conducting of Stock Split

With the record date of March 31, 2021, each common stock held by shareholders listed or recorded in the final Register of Shareholders of the day will be divided at a ratio of two for one. The purpose is for the Company to aim to reduce the amount of investment unit of the Company’s shares through a stock split, thereby improving the liquidity of the Company’s shares and expanding the investor base. Details are described in Part 4 [Financial Information], 1. Quarterly Consolidated Financial Statements, [Notes to Financial Statements] (Material subsequent events).

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

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms) and works under close ties with the TKC National Federation, which consists of 11,400 certified public tax accountants and certified public accountants (as of March 31, 2021) 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 2nd 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 for TKC Members (ProFIT). We began this activity on February 25, 2020 and posted a total of 222 entries as of the end of March 2021.

- 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 7,216 entries on

support policies and has become the largest database dedicated to SME support policies in Japan as of the end of March 2021.

Information is updated twice a week to ensure that the latest information are available at all times.

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 SME support policies such as governmental emergency economic policies and special loans by government-affiliated financial institutions. Further in the current 2nd Quarter, we rapidly achieved compliance with the Business Reestablishment Subsidy, 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) Provision of guidebook on subsidies and other public support programs

The Company produced a guidebook “Responding to the Third Supplementary Budget (Flash Report)—Q&A on Useful Support for Financial Measures and Subsidies,” which provides guidance on important public support programs for accounting firms to share with their clients. The guidebook was made available to all TKC Members, also in the form of downloadable PDF files.

(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 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, reaching 463 financial institutions including all local banks throughout Japan (64 institutions) as of March 31, 2021. Also, over 260,000 financial statements, etc. were disclosed to financial institutions as of March 31, 2021.

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 many 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 2nd 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 on their business performance 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 daily task 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

The requirements of the Electronic Books Maintenance Act of Japan were eased in accordance with the outline of the FY2021 tax reform approved by the cabinet on December 21, 2020. With this, there will be two types of electronic books (which are electromagnetic records of national tax-related books): (a) “superior electronic books” that contain the history of additions, deletions and revisions to the accounting data (traceable); and (b) “non-traceable electronic books” that are prepared using accounting software that do not keep record of such additions/deletions/revisions. This legal reform negates “the power of evidence” of the books, implying that the government has approved the use of accounting software that might enable falsification of books.

To counter this issue, the Company will promote self-accounting practice by the TKC methods for the preparation of “superior electronic books,” and to overcome this crisis, support the nation-wide implementation and overwhelming spread of the TKC Monitoring Information Service which will enable companies to submit to financial institutions their electronic books together with the financial statements prepared in line with the superior electronic books, along with the appropriate tax returns, etc. evidenced by Shomen-tempu (attachment of tax audit reports) pursuant to Article 33-2 of the CPTA Act of Japan.

#### 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.

Due to COVID-19-related confusion, the Company is actively hosting webinars as we are unable to visit potential accounting firms that we intend to solicit.

As a result of these activities, the number of TKC Members totaled approximately 9,800 accounting firms and 11,400 accountants as of March 31, 2021. 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 webinars in collaboration with TKCNF's Medium- and Large-sized Companies Support Council (1,495 members as of March 31, 2021). We also entered into alliance agreements with four ERP vendors, working on the development of systems linking to financial statements data. Moreover,

as more 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 business meetings.

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 7,280 companies as of March 31, 2021. This is equivalent to approximately 31% of the 23,000 some companies with a capital of 100 million yen or greater.

Also, as companies having business abroad are restricted from traveling overseas due to COVID-19, they are facing challenges in managing their foreign subsidiaries and ensuring governance. More and more companies facing such hardship are implementing our OBMonitor overseas business monitoring system, as it is a cloud service that allows companies to check the financial data of their foreign subsidiaries from their offices in Japan. The number of users of the OBMonitor reached 1,050 companies, and it is currently used in 37 countries around the world.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 4,570 corporate groups as of March 31, 2021. 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 35%.

Based on the know-how gained through the early application of the Revenue Recognition Accounting Standard, the Company is conducting webinars to explain the practical measures in complying with said Standard and to introduce the case studies of early application of said Standard by the Company. To date, we have received over 4,000 requests in total to participate in the webinars.

#### (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 main 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 2nd Quarter under review, as a result of active online promotional activities through the website and SNS towards TKC Member firms, universities, law schools, government offices, law firms, patent offices, corporate legal departments, etc., the number of users exceeded 52,200 IDs and the Library is used by over 23,000 institutions as of March 31, 2021.

##### (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, exercise 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 as necessary, 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 March 31, 2021. As examinations are postponed and learning environment remains 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. We are promoting trial use among 63 target universities offering group examinations and conducting questionnaire surveys in an aim to expand use. Also, it has been announced that the practical business law examination and various other qualification examinations will be implementing and conducting established computer/Internet based testing (CBT/IBT). We consider this as an opportunity, and are working to understand the needs of users and promoting the use of web-based testing functions and other effective study tools of the Company for 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.

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 nationwide by twelve 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 March 31, 2021.

In the current 2nd Quarter, 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.

In addition, we engaged in offering the latest information to enable customers to respond quickly and effectively to the project of establishing COVID-19 vaccination systems, and began providing services for the revision of the vaccination ledger system and launch of the COVID-19 vaccination reservation & registration system.

## (2) Support for digitization 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 counter services.

In this 2nd Quarter, we engaged in the development of the TASK Cloud Smart Application System with the cooperation of Osaka city, Osaka Prefecture, and also 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 TASK Cloud Convenience Store Certificate Issuing System is adopted by over 150 agencies including government ordinance-designated cities such as Kobe and Kitakyushu, the TASK Cloud Easy Counter Service System is adopted by more than 20 agencies, and the TASK Cloud My Number Card Issuance Reservation & Management System is adopted by over 40 agencies as of March 31, 2021.

## (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 March 31, 2021.

In the current 2nd Quarter, we worked to enhance the functionalities of our proprietary data connection services, as well as engaged in aggressive promotional activities and implementation support together with our partner companies.

## (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 adoption of the daily journalizing method upon system updating.

The Company provides the TASK Cloud Public Accounting System, as a local 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 2nd 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 information as well as in aggressive promotional activities. As a result, our public accounting systems are adopted by more than 270 agencies as of March 31, 2021.

## (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 and 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 further speeding up.

To respond to the change in the environment surrounding our customers, the Company is working to 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 2nd Quarter, we gathered and communicated information on the digitization of administrative services and standardization of operational systems, and conducted surveys, research and development on next-generation solutions through experimental projects, etc. 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 for customer attraction and other productions from private enterprises due to impacts of COVID-19 pandemic. Currently, we are working to fulfill the contracts with local municipalities by ensuring that tasks related to COVID-19 vaccination notices for residents are performed properly, and engaging in sales activities towards private enterprises to receive orders for new direct mail projects now showing recovering trends.

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

In the area of printing of commercial-use creative materials (catalogs, flyers, booklets, books, etc.), with the continuing cancellation/postponement of events, etc. 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, flyers, etc. that used to be needed for such events.

## II. Financial Conditions

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

### 1. Assets

Total assets as of the end of the current 2nd quarter consolidated accounting period amounted to 101,067 million yen, a 3,396 million yen increase 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 2nd quarter consolidated accounting period amounted to 37,325 million yen, a 1,480 million yen increase compared to 35,844 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 3,096 million yen in Notes and accounts receivable, despite a 1,771 million yen decrease in Cash and deposits.

#### (2) Non-current assets

Non-current assets as of the end of the current 2nd quarter consolidated accounting period amounted to 63,742 million yen, a 1,915 million yen increase compared to 61,826 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 3,065 million yen increase in Investment securities, despite a 468 million yen decrease in Deferred tax assets included in Investments and other assets, a 246 million yen decrease in Tools, furniture & fixtures included in Other (net amount), and a 232 million yen decrease in Buildings and structures (net amount), included in Property, plant and equipment.

### 2. Liabilities

Total liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 19,456 million yen, a 1,139 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 2nd quarter consolidated accounting period amounted to 14,090 million yen, a 611 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 decrease of 1,520 million yen in Consumption tax payable included in Accounts payable–other, despite an increase of 1,029 million yen in Accounts payable.

## (2) Non-current liabilities

Non-current liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 5,365 million yen, a 527 million yen decrease compared to 5,893 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 293 million yen decrease in Provisions for stocks payment and a 159 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 2nd quarter consolidated accounting period amounted to 81,611 million yen, a 4,535 million yen increase compared to 77,075 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 3,407 million yen in Retained earnings and an increase of 738 million yen in Valuation difference on available-for-sale securities.

Equity ratio as of the end of the current 2nd quarter consolidated accounting period was 80.7%, a 1.8 percentage point increase compared to the ratio of 78.9% as of the end of the previous consolidated fiscal year.

## III Cash Flows

The balance of cash and cash equivalents as of the end of the current 2nd quarter consolidated accounting period amounted to 21,697 million yen, a 1,771 million yen decrease compared to the end of the previous consolidated fiscal year.

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

### (1) Cash flows from operating activities

Cash flows from operating activities increased by 3,154 million yen (427 million yen increase in revenue compared to the same quarter of the previous year). Major factors include the recognition of 8,050 million yen in Quarterly net income before taxes and adjustments, an increase of 3,128 million yen in Notes and accounts receivable–trade, and an increase of 2,442 million yen in Income taxes paid.

### (2) Cash flows from investing activities

Cash flows from investing activities decreased by 3,074 million yen (3,628 million yen decrease in spending compared to the same quarter of the previous year). Major factors include expenditure of 1,700 million yen into time deposits, revenue of 1,700 million yen from withdrawal of time deposits, expenditure of 2,030 million yen for the acquisition of investment securities, expenditure of 473 million yen for the acquisition of tangible fixed assets, and an expenditure of 604 million yen for the acquisition of intangible fixed assets.

### (3) Cash flows from financing activities

Cash flows from financing activities decreased by 1,852 million yen (306 million yen increase in spending compared to the same quarter of the previous year). Major factors include the payment of 1,726 million yen for year-end dividends as of end of September 2020 (a dividend of 65 yen per share).

## IV. Operational and Financial Challenges Facing the TKC Group

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

## V. Research and Development Activities

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

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

## 3 [Material Agreements, etc.]

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

## Part 3 [Information on the Company]

### 1 [Information on the Company's Stock]

(1) [Total number of shares, etc.]

(i) [Total number of shares]

Class	Total number of shares authorized to be issued (shares)
Common stock	60,000,000
Total	60,000,000

(Note) Based on the resolution of the Board of Directors' meeting held on March 10, 2021, the Company made a partial amendment of the Articles of Incorporation to conduct a stock split, effective as of April 1, 2021. As a result, the total number of authorized shares of the Company was increased by 60,000,000 shares to 120,000,000 shares.

(ii) [Issued shares]

Class	Number of shares issued as of the end of 2nd quarter accounting period (shares) (March 31, 2021)	Number of shares issued as of the filing date (shares) (May 10, 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	53,462,066	First Section of the Tokyo Stock Exchange	Number of shares consisting a unit: 100 shares
Total	26,731,033	53,462,066	—	—

(Note) Based on the resolution of the Board of Directors' meeting held on March 10, 2021, the Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. As a result, the total number of shares issued increased by 26,731,033 shares to 53,462,066 shares.

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

None to be disclosed.

(ii) [Other share subscription rights, etc.]

None to be disclosed.

(3) [Exercise of bonds with share subscription rights containing a clause for exercise price adjustment, etc.]

None to be disclosed.

(4) [Changes in total number of issued shares, capital stock, etc.]

Date	Increase or decrease in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase or decrease in capital stock (millions of yen)	Balance of capital stock (millions of yen)	Increase or decrease in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From January 1, 2021 To March 31, 2021	—	26,731,033	—	5,700	—	5,409

(Note) Based on the resolution of the Board of Directors' meeting held on March 10, 2021, the Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. As a result, the total number of shares issued increased by 26,731,033 shares to 53,462,066 shares.

## (5) [Major shareholders]

As of March 31, 2021

Names of shareholders	Address	Number of shares held (hundreds of shares)	Percentage of shares held to total number of issued shares (excluding treasury stock) (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	37,530	14.2
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	25,690	9.7
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	15,465	5.8
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	14,776	5.6
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	14,581	5.5
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hong Kong & Shanghai Banking Corporation, Tokyo Branch)	One Lincoln Street, Boston, MA 02111 USA (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	11,231	4.2
Masaharu Iizuka	Utsunomiya-shi, Tochigi	8,098	3.1
Custody bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	7,037	2.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	6,664	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	5,983	2.3
Sompo Japan Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	5,983	2.3
Total	—	153,040	57.8

- (Notes) 1. The 111,500 shares of the Company held by the BIP Trust are not included in the treasury stocks to be deducted in calculating the percentage of shares held to the total number of issued shares.
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The above numbers of shares held are the numbers prior to the stock split.

## (6) [Voting rights]

## (i) [Shares issued]

As of March 31, 2021

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 264,400	—	—
Shares with full voting right (others)	Common stock 26,397,700	263,977	—
Shares less than one share unit	Common stock 68,933	—	—
Total number of shares issued	26,731,033	—	—
Total voting rights held by all shareholders	—	263,977	—

- (Notes) 1. 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 111,500 shares (1,115 units of voting rights) owned by the BIP Trust.
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The above numbers of shares and number of voting rights are figures prior to the stock split.

(ii) [Treasury stock, etc.]

As of March 31, 2021

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	264,400	—	264,400	0.99
Total	—	264,400	—	264,400	0.99

- (Notes) 1. In addition to the above, the 111,500 shares owned by the BIP Trust are recorded as treasury stocks.  
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The above numbers of shares held are the numbers prior to the stock split.

2 [Officers]

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

## Part 4 [Financial Information]

### 1. Method of Preparing Quarterly Consolidated Financial Statements

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

### 2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 2nd quarter consolidated accounting period (from January 1, 2021 to March 31, 2021) and the 2nd quarter consolidated cumulative period (from October 1, 2020 to March 31, 2021) 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 2nd quarter consolidated accounting period (March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	26,769	24,997
Notes and accounts receivable–trade	7,014	10,110
Inventories	*723	*579
Other	1,357	1,654
Allowance for doubtful accounts	(19)	(16)
Total current assets	35,844	37,325
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	8,182	7,950
Land	6,911	6,911
Other (net amount)	2,699	2,581
Total property, plant and equipment	17,794	17,443
Intangible assets	3,120	2,995
Investments and other assets		
Investment securities	16,282	19,348
Long-term deposits	14,600	14,600
Guarantee deposits	1,438	1,404
Other	8,591	7,950
Total investments and other assets	40,911	43,303
Total non-current assets	61,826	63,742
Total assets	97,671	101,067
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	2,181	3,210
Electronically recorded obligations–operating	802	740
Short-term loans payable	142	116
Accounts payable–other	4,227	2,232
Income taxes payable	2,549	2,396
Provisions for bonuses	3,673	3,141
Other	1,124	2,252
Total current liabilities	14,701	14,090
Non-current liabilities		
Long-term loans payable	295	250
Retirement benefit liabilities	3,400	3,403
Provisions for stocks payment	599	305
Other	1,598	1,406
Total non-current liabilities	5,893	5,365
Total liabilities	20,595	19,456

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2020)	Current 2nd quarter consolidated accounting period (March 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,588	6,588
Retained earnings	68,533	71,940
Treasury stock	(1,660)	(1,357)
Total shareholders' equity	79,161	82,872
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(553)	185
Accumulated remeasurements of defined benefit plans	(1,532)	(1,446)
Total accumulated other comprehensive income	(2,085)	(1,260)
Total net assets	77,075	81,611
Total liabilities and net assets	97,671	101,067

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

[Quarterly consolidated statements of income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)	Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)
Net sales	35,137	33,372
Cost of sales	12,199	9,640
Gross profit	22,938	23,731
Selling, general and administrative expenses	*15,946	*15,825
Operating income	6,991	7,906
Non-operating income		
Interest income	19	23
Dividends income	70	70
Insurance dividends income	3	12
Land and house rent received	25	25
Other	40	48
Total non-operating income	159	180
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	0
Other	0	—
Total non-operating expenses	1	0
Ordinary income	7,149	8,086
Extraordinary income		
Gain on sales of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on sale of non-current assets	—	22
Loss on retirement of non-current assets	4	14
Total extraordinary losses	4	36
Quarterly net income before taxes and adjustments	7,144	8,050
Income taxes—current	2,310	2,277
Income taxes—deferred	142	277
Total income taxes	2,452	2,555
Quarterly net income	4,692	5,495
Quarterly net loss attributable to non-controlling interests	(20)	—
Quarterly net profit attributable to owners of parent	4,712	5,495

[Quarterly consolidated statements of comprehensive income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)	Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)
Quarterly net income	4,692	5,495
Other comprehensive income		
Valuation difference on available-for-sale securities	(666)	738
Remeasurements of retirement benefits	85	85
Total other comprehensive income	(580)	824
Quarterly comprehensive income	4,112	6,319
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	4,134	6,319
Quarterly comprehensive income attributable to non-controlling interests	(22)	—

## (3) [Quarterly consolidated statements of cash flows]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)	Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)
<b>Cash flows from operating activities</b>		
Quarterly net income before taxes and adjustments	7,144	8,050
Depreciation	1,573	1,464
Loss (gain) on sale of non-current assets	(0)	20
Loss on retirement of non-current assets	4	14
Increase (decrease) in provisions for stocks payment	24	(293)
Increase (decrease) in provisions for bonuses	(619)	(531)
Increase (decrease) in retirement benefit liabilities	(993)	127
Decrease (increase) in notes and accounts receivable-trade	(1,565)	(3,128)
Decrease (increase) in other assets	487	72
Increase (decrease) in accounts payable-trade	(1,039)	990
Increase (decrease) in other liabilities	(65)	(1,525)
Other	(75)	224
Subtotal	4,875	5,487
Interest and dividends received	99	110
Interest paid	(0)	(0)
Income taxes paid	(2,247)	(2,442)
Cash flows from operating activities	2,726	3,154
<b>Cash flows from investing activities</b>		
Payments into time deposits	(5,800)	(1,700)
Proceeds from withdrawal of time deposits	1,500	1,700
Purchase of property, plant and equipment	(623)	(473)
Purchase of intangible assets	(507)	(604)
Purchase of investment securities	(4,504)	(2,030)
Proceeds from redemption of investment securities	4,000	—
Purchase of subsidiary stock	(593)	—
Other	(172)	34
Cash flows from investing activities	(6,702)	(3,074)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	70	—
Repayment of long-term loans payable	(71)	(71)
Proceeds from disposal of treasury stock	0	—
Purchase of treasury stock	(31)	(5)
Payment of dividends	(1,452)	(1,726)
Payment of dividends to non-controlling interests	(11)	—
Other	(50)	(48)
Cash flows from financing activities	(1,545)	(1,852)
Increase (decrease) in cash and cash equivalents	(5,521)	(1,771)
Cash and cash equivalents at beginning of period	26,810	23,469
Cash and cash equivalents at end of quarter	*21,289	*21,697

## [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 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 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 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 2nd quarter consolidated cumulative period decreased by 1,135 million yen, cost of sales decreased by 1,561 million yen, while the amounts of operating income, ordinary income, and quarterly net income before taxes and adjustments increased by 425 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 440 million yen for 223,000 shares as of the end of this current 2nd quarter consolidated accounting period.

(Note) The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The number of stocks has been calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

#### (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 quarterly consolidated balance sheets)

\* Breakdown of inventories is as follows:

	Previous consolidated fiscal year (September 30, 2020)	Current 2nd quarter consolidated accounting period (March 31, 2021)
Merchandise and finished goods	238 million yen	290 million yen
Work in progress	307 million yen	132 million yen
Raw materials and stored items	177 million yen	156 million yen

(Notes to quarterly consolidated statements of income)

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

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)	Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)
Salaries	5,754 million yen	5,930 million yen
Provision for bonuses	2,563 million yen	2,740 million yen
Retirement benefit expenses	541 million yen	491 million yen
Provisions for stocks payment	27 million yen	15 million yen
Depreciation	315 million yen	352 million yen
Rent expenses	1,131 million yen	1,215 million yen

(Notes to the quarterly consolidated statements of cash flows)

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

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)	Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)
Cash and deposits	24,489 million yen	24,997 million yen
Time deposits with deposit period greater than three months	(3,200 million yen)	(3,300 million yen)
Cash and cash equivalents	21,289 million yen	21,697 million yen

(Notes to shareholders' equity, etc.)

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

(1) 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

- (Notes) 1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 20, 2019 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.  
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

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

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

- (Notes) 1. The total amount of cash dividends determined by resolution of the Board of Directors on May 1, 2020 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.  
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

II. Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)

(1) 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

- (Notes) 1. 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.  
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

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

Resolution	Type of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 7, 2021 Meeting of the Board of Directors	Common stock	1,720	65	March 31, 2021	June 14, 2021	Retained earnings

- (Notes) 1. The total amount of cash dividends determined by resolution of the Board of Directors on May 7, 2021 includes a cash dividend of 7 million yen to the stocks of the Company owned by the BIP Trust.  
2. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

(Segment information, etc.)

[Segment information]

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

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

(Unit: millions of yen)

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

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

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

II. Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)

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	22,466	9,358	1,547	33,372	—	33,372
(2) Inter-segment sales or transfers	4	0	802	806	(806)	—
Total	22,470	9,358	2,350	34,179	(806)	33,372
Segment profit (loss)	5,990	2,028	(117)	7,900	5	7,906

(Notes) 1. Adjustments of segment profit of 5 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 Notes (Changes in Accounting Policies), the Company applies the Revenue Recognition Accounting Standard, etc. from the beginning of the 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, compared to the conventional method, for the current 2nd quarter consolidated cumulative period: for the Accounting Firm BD, net sales decreased by 876 million yen, and segment profit increased by 262 million yen; for the Local Governments BD, net sales decreased by 233 million yen, and segment profit increased by 163 million yen; and for the Printing BD, net sales decreased by 25 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 2nd quarter consolidated cumulative period (Started October 1, 2019; ended March 31, 2020)	Current 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)
Quarterly net income per share	89.66 yen	104.42 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	4,712	5,495
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	4,712	5,495
Average number of common stocks outstanding (hundreds of shares)	525,616	526,251

- (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 outstanding deducted for the calculation of quarterly net income per share were 380,877 shares for the previous 2nd quarter consolidated cumulative period, and 308,813 shares for the current 2nd quarter consolidated cumulative period.
2. The quarterly diluted net income per share is not stated as there were no dilutive shares.
3. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The quarterly net income per share has been calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(Material subsequent events)

Stock split and partial amendment of the Articles of Incorporation therewith

The Company, based on the resolution of the Board of Directors' meeting held on March 10, 2021, conducted a stock split and partial amendment of the Articles of Incorporation therewith, effective as of April 1, 2021.

1. Purpose of stock split

In response to a request from the Tokyo Stock Exchange (TSE Listing Dept. No. 1580 for Disclosure regarding Reduction of Investment Unit Price dated October 9, 2020, the Company, on November 4, 2020, disclosed its Approach to and Policy on the Reduction of Investment Unit Price. Under this Policy, the Company aims to reduce the amount of investment unit of the Company's shares through a stock split, thereby improving the liquidity of the Company's shares and further expanding the investor base.

2. Outline of the stock split

(1) Procedure for the stock split

With the record date of Wednesday, March 31, 2021, each common stock held by shareholders listed or recorded in the final Register of Shareholders of the day will be divided at a ratio of two for one.

(2) Number of increase in shares as a result of the stock split

- (i) Total number of shares issued before the stock split: 26,731,033 shares
- (ii) Number of shares increased as a result of the stock split: 26,731,033 shares
- (iii) Total number of shares issued after the stock split: 53,462,066 shares
- (iv) Total number of authorized shares after the stock split: 120,000,000 shares

(3) Schedule for the stock split

- (i) Date of public notice of the record date: Tuesday, March 16, 2021
- (ii) Record date: Wednesday, March 31, 2021
- (iii) Effective date: Thursday, April 1, 2021

(4) Impacts on earnings per share information

Impacts on earnings per share information are indicated in the relevant sections.

3. Partial amendment of the Articles of the Incorporation therewith

(1) Reason for amending the Articles of the Incorporation

As a result of this stock split, the total number of authorized shares set forth in Article 6 of the Company's Articles of Incorporation has been changed effective as of April 1, 2021, in accordance with Article 184, paragraph 2 of the Companies Act.

(2) Details of the amendment

Amendments are as follows:

(The amended texts are underlined.)

Before amendment	After amendment
Article 6 (Total number of authorized shares) The total number of authorized shares of the Company shall be <u>60,000,000</u> shares.	Article 6 (Total number of authorized shares) The total number of authorized shares of the Company shall be <u>120,000,000</u> shares.

(3) Schedule for the amendment of the Articles of Incorporation

Effective date: Thursday, April 1, 2021

4. Other

The amount of stated capital shall remain unchanged as a result of this stock split.

2 [Other]

The resolution regarding the current interim dividends was adopted at the Board of Directors' meeting held on May 7, 2021, stated as follows.

- (a) Total amount of cash dividends to be paid as interim dividends 1,720 million yen
- (b) Dividend per share 65.00 yen
- (c) Effective date for payment claim and commencement date for payment June 14, 2021

- (Notes) 1. Dividends are payable to the shareholders listed or recorded on the Register of Shareholders as of March 31, 2021.  
2. Because the record date is March 31, 2021, the dividend per share shows the amount prior to the stock split which was effected as of April 1, 2021.

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

None to be disclosed.

## Quarterly Review Report of Independent Auditors

May 10, 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)
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Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Toru Iizuka	(seal)
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### 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 2nd quarter consolidated accounting period (from January 1, 2021 to March 31, 2021) and for the 2nd quarter consolidated cumulative period (from October 1, 2020 to March 31, 2021) stated in [Financial Information], namely, the quarterly consolidated balance sheets, 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 do not properly represent, in all material respects, the financial conditions of TKC Corporation and its consolidated subsidiaries as of March 31, 2021 and their operating results and cash flows for the 2nd quarter consolidated cumulative period ending on the same date in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan.

### 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 subsidiaries 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 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:

- principally make inquiries to the management, persons responsible for financial and accounting matters, etc., 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.
- Conclude, based on the evidence obtained, 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 related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty related to the Group's ability to continue as a going concern 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 manner 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]	May 10, 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 2nd quarter of the 55th term (started January 1, 2021; ended March 31, 2021) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.