

Quarterly Report

(55th Term 3rd Quarter)

Started April 1, 2021

Ended June 30, 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 3rd quarter consolidated cumulative period	55th Term 3rd quarter consolidated cumulative period	54th Term
Accounting period	Started October 1, 2019; ended June 30, 2020	Started October 1, 2020; ended June 30, 2021	Started October 1, 2019; ended September 30, 2020
Net sales (millions of yen)	51,310	49,587	67,814
Ordinary income (millions of yen)	10,245	11,808	11,685
Quarterly (current) net income attributable to owners of parent (millions of yen)	6,792	7,961	7,821
Quarterly comprehensive income or comprehensive income (millions of yen)	6,298	8,881	7,501
Net assets (millions of yen)	75,873	82,458	77,075
Total assets (millions of yen)	93,622	100,106	97,671
Quarterly (current) net income per share (yen)	129.23	151.19	148.81
Quarterly (current) diluted net income per share (yen)	—	—	—
Equity ratio (%)	81.0	82.4	78.9

Term & Period	54th Term 3rd quarter consolidated accounting period	55th Term 3rd quarter consolidated accounting period
Accounting period	Started April 1, 2020; ended June 30, 2020	Started April 1, 2021; ended June 30, 2021
Quarterly net income per share (yen)	39.56	46.77

- (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.
- 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 September 2021. For details, please refer to Notes (Changes in Accounting Policies) on Page 21.

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 3rd 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 3rd quarter consolidated cumulative period. There are no significant changes in risks regarding business operations, etc. described in the Annual Securities Report of the previous fiscal year.

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

I. Operating Results

The Japanese economy during the 3rd quarter consolidated cumulative period under review (hereinafter, “current 3rd Quarter”) remained challenging due to the spread of novel coronavirus (hereinafter, “COVID-19”) variants, despite expectations for economic recovery following the start of vaccinations.

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 continued to support certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) in their efforts to provide assistance in financing and managerial advisory services as escort supporters of SMEs.

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, rendering of services for the production of COVID-19 vaccination coupon notices, and provision of vaccination reservation & registration systems, thereby supported local municipalities for their measures against COVID-19.

As a result of these activities, the operating results for the current 3rd Quarter of the consolidated Group comprising of TKC Corporation and its six consolidated subsidiaries recorded a net sales of 49,587 million yen (decreased 3.4% year-on-year), operating income of 11,502 million yen (increased 15.3% year-on-year), ordinary income of 11,808 million yen (increased 15.3% year-on-year), and quarterly net income attributable to owners of parent of 7,961 million yen (increased 17.2% 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 2,019 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 3rd Quarter by business division are shown below.

1. Results of operation for the 3rd Quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD was 33,341 million yen (decreased 4.5% year-on-year); operating income was 9,050 million yen (increased 4.6% year-on-year).

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 1,850 million yen, while operating income decreased by 141 million yen compared to the amounts if said Standard had not been applied. Breakdown of sales is as follows:

- (i) Sales from computer services increased by 2.2% year-on-year. Medium-size companies are rapidly working towards digital transformation (DX), and in such climate, this was attributable to the continuing growth in number of implementations of the FX4 Cloud Integrated Accounting Information System for mid-size companies, which enables the linking of sales management systems, salary calculation systems and other business systems with accounting data, and the increase in the number of tax accounting firms adopting the Office Management System (OMS Cloud) for Tax Accounting Firms 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 2.6% 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 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 2020.

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. This was because the Company changed the method of recognizing the net sales of software which were conventionally recognized as lump sum upon shipment. For contracts that are executed over a certain period of time, net sales are divided in proportion to the contract period and recognized on a monthly basis.

- (iii) Sales from consulting services increased 1.5% year-on-year. This was due to strong sales of the FX4 Cloud Integrated Accounting Information System for mid-size companies, leading to increase in orders for system launch support services.
- (iv) Hardware sales decreased by 18.5% 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.
- (v) Sales from supplies decreased by 66.8% year-on-year. Sales from office equipment for remote works and infection prevention supplies were strong, however, with the application of the Revenue Recognition Accounting Standard, many of transactions of accounting slips and office equipment for accounting firms must be journalized as "agent transaction." Starting this current 3rd quarter, the Company recognized the amount of net sales as transaction value less the purchase prices. As such, net sales decreased by 1,546 million yen compared to the amount recognized if said Standard had not been applied.
- (vi) The improvement in operating income year-on-year was a result of decrease in travel expenses by switching the style of customer support and proposal activities to remote using the online meeting system, and decrease in costs related to hosting seminars by changing our new customer acquisition activities from face-to-face seminars to webinars.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD was 13,838 million yen (increased 0.5% year-on-year); operating income was 2,298 million yen (increased 1,193 million yen year-on-year).

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 137 million yen, while operating income increased by 60 million yen compared to the amounts if said Standard had not been applied. Breakdown of sales is as follows:

- (i) Sales from computer services increased by 10.7% year-on-year. This was driven by increase in sales from the new customer outsourcing services whose system was fully launched in FY2020, and increase in data center usage fees, and the winning of contracts for the production of vaccination coupon notices under the government's project of Establishing COVID-19 Vaccination Systems.
- (ii) Software sales decreased 13.2% year-on-year. This was due to decrease in temporary revenue in response to legal reforms from the previous fiscal year, including sales from system revisions conducted in the previous fiscal year for the free preschool education subsidy program in response to partial revisions to the Child and Childcare Support Act of Japan. As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 151 million yen compared to the amount recognized if said Standard had not been applied.
- (iii) Sales from consulting services increased 15.2% year-on-year. This was a result of increase in sales from system implementation support, with the orders for new services such as the vaccination reservation & registration systems and My Number Card Issuance Reservation & Management System. Also, as a result of implementing 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), net sales increased by 26 million yen compared to the amount recognized if said Standard had not been applied.
- (iv) Hardware sales increased by 4.0% 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 rendering of services for the production of COVID-19 vaccination coupon notices and provision of vaccination reservation & registration systems, and in addition, significant decrease in travel expenses by switching the style of customer support and proposal 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 was 2,408 million yen (decreased 8.4% year-on-year); operating income was 147 million yen (decreased 36.0% year-on-year).

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 32 million yen compared to the amount recognized if said Standard had not been applied. There were no impacts to the amount of operating income or loss. Breakdown of sales is as follows:

- (i) Sales of data printing service-related products decreased by 1.0% year-on-year. This was due to suppressed orders for direct mail and other productions for sales promotion from client companies due to impacts of the COVID-19 pandemic.

- (ii) Business form-related sales decreased by 4.5% year-on-year. This is due to decline in demands for business forms as a result of digital transformation initiatives by client companies.
- (iii) Sales of printing of commercial-use creative materials (catalogs, flyers, books, etc.) decreased by 15.9% year-on-year. This was due to decrease in demands for printed materials and flyers for events from the cancellation/postponement of many events impacted by the COVID-19 pandemic and switching to webinars.

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

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

As the outlook for the containment of COVID-19 pandemic is still unpredictable, the Company 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 weekly attendance to less than 30% for areas subject to declaration of state of emergency. For other areas, our target for attendance is less than 70% per week (and less than 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) Acquisition of ISO/IEC20000

On June 7, 2021, the Company's data center, TKC Internet Service Center (hereinafter, "TISC") obtained the ISO/IEC 20000, the international standards for IT service management system. This certifies that the operating platform of TKC cloud services established inside TISC is managed and operated in compliance with the international standards for quality management, IT service management, and information security. From this data center, we will continue to provide safe, secure, and convenient cloud services in order to support the business operation of customers.

(3) Number of companies using the Company's systems for the filing of corporate income tax returns exceeds 600,000

The Company began the offering of Japan's first system to prepare corporate income tax returns (TPS1000) in 1981. Since then, the system underwent various upgrading to respond to the enforcement of the Consumption Tax Act of Japan in 1989 and legal reforms such as mandatory electronic filing, as we continued to improve the system's functionalities. Today, we offer the system as Corporate Financial Reporting System (TPS1000), which incorporates the optimum work process for financial reporting enabling companies to complete the entire process from financial settlements to electronic tax filing in a one-stop manner. In 2003 the Company also released the eConsoliTax consolidated tax payment system which complies with the consolidated taxation system introduced in 2002, and the Electronic Tax Filing System for Corporations (ASP1000R) for listed companies in 2007 which allows the preparation and electronic filing of corporate income tax returns. These corporate income tax return preparation systems are being highly rated by many TKC Member firms and listed companies, and the number of companies using the Company's systems for the filing of income tax returns exceeds 600,000 as of May 31, 2021. This means that one out of every 4.6 companies in Japan are using TKC's corporate income tax return preparation systems.

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 (TKCNF), which consists of 11,400 certified public tax accountants and certified public accountants (as of June 30, 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 pandemic

In the current 3rd Quarter, the Company engaged in the following support activities under the policy to focus all its effort on supporting TKC Members and their clients.

1) Provision of the latest information to TKC Members

To accurately and quickly convey information on SME support policies released by the national government and SME support organizations to TKC Members, the Company provided the latest information on a daily basis on the exclusive Intranet (ProFIT) for TKC Members. We began this activity on February 25, 2020 and posted a total of 243 entries as of the end of June 2021.

2) Provision of TKC Monthly Indicators (Monthly BAST)

In May 2021, the Company began the free offering of TKC Monthly Indicators (hereinafter, “Monthly BAST”). Monthly BAST is a statistical summary unprecedented in Japan which contains the monthly settlement data of over 250,000 companies. The reliability of the monthly settlements contained is verified through the monthly field audits conducted by TKC Members. Users can view the latest information on the shift of sales and loans, etc. of companies, on a nation-wide scale or by prefecture, by annual revenue, or by industry. We expect that the Monthly BAST will be utilized by those in charge of supporting SMEs at financial institutions and administrative agencies, and economists analyzing the trends of SMEs in determining measures to support SMEs going forward.

3) 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.

TKC Members are able to send out information on emergency financial measures widely across clients and other SMEs. The website had 7,559 entries on support policies and has become the largest database dedicated to SME support policies in Japan as of the end of June 2021.

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

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

The Company provided a check function for clients requiring emergency support on the Tax Accountants Office Management system (OMS). This function can automatically evaluate the eligibility of each client in the form of a checklist of various governmental emergency economic policies and special loans by government-affiliated financial institutions. Further in the current 3rd Quarter, we responded to the monthly subventions and worked rapidly to determine the qualifications of SMEs eligible for the Business Reestablishment Subsidy, and added a function to extract eligible clients 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. We also develop and release on-demand training materials on these emergency economic measures.

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

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

[Activity policy to change society with the TKC brand]

- a. Promotion of Shomen-tempu (attachment of tax audit reports) by the TKC methods
- b. Promotion of TKC Monitoring Information Service
- c. Promotion of self-accounting by the TKC methods

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

- a. Understand and practice the Standards of Conduct for TKC Accountants
- b. Increase the numbers of Field Auditors and Assistant Field Auditors
- c. Enhance the managerial advisory services as a Certified Support Agency

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

1) Promotion of TKC Monitoring Information Service

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

While promoting the TKC Monitoring Information Service, the Company communicated to financial institutions that the

reliability of financial statements prepared by SMEs can be verified by the following three documents:

- a. Supporting documents submitted by TKC Members as provided for under Article 33-2 of the Certified Public Tax Accountant Act of Japan
- b. 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
- c. The Chusho Kaikei Yoryo checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and Japan Federation of Credit Guarantee Corporations

As a result of these activities, the number of financial institutions adopting this Service is increasing rapidly, adopted by 464 financial institutions including all local banks throughout Japan (64 institutions) as of June 30, 2021. Also, over 270,000 companies provided their financial statements to financial institutions as of June 30, 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 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)

Many SMEs are in need to plan for repaying the virtually interest-free, no-collateral loans from government-affiliated and private financial institutions. Recognizing these needs, during the current 3rd Quarter, we continued to provide support for the utilization of functions for the management strategy level (budget registration, management by division, financing results spreadsheet) incorporated in the FX series. 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) (electronic books that satisfy the requirements of 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 do not keep record 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 might enable falsification of books.

To counter this issue, the Company will support the implementation of the FX series for the preparation of “superior electronic books” on a national level.

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 December 2021. The Company is working closely with the New Members Service Committee of TKCNF in soliciting new members to achieve this goal through activities such as hosting of webinars.

As a result of these activities, the number of TKC Member firms totaled approximately 9,800 accounting firms (11,400 accountants) as of June 30, 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: 1) accounting that helps to grasp the company's business situation; 2) accounting that contributes to providing information to stakeholders (financial institutions, etc.); 3) accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system; and 4) accounting that does not place excessive burden on SMEs.

In order to support the activities of the TKCNF towards the diffusion and utilization of the Guidelines, the Company continues to promote the development of training materials 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 worked with TKCNF's Medium- and Large-sized Companies Support Council (1,513 members as of June 30, 2021) and released the Guidebook on Complying with Mandatory Electronic Filing on the Company's website and conducted activities to support users of ASP1000R electronic tax filing system for corporations and the eConsoliTax consolidated tax payment system in the actual implementation of electronic filing. 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 7,436 companies as of June 30, 2021. This is equivalent to approximately 32% 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 pandemic, 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 1,100 companies, and 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 4,632 corporate groups as of June 30, 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 by the Company. To date, we have received over 4,250 requests 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 of the TKC Law Library including law schools and law firms now operate online due to the COVID-19 pandemic. Because users are unable to conduct research at data rooms or libraries, the TKC Law Library which offers access to laws and regulations, judicial precedents, bibliographic information references and also contents of specialized law magazines, any time, from any place is now earning greater reputation. As a result, the numbers of users and contracts to access additional contents have grown.

Also, in June 2021, the Company launched a new optional service of the TKC Law Library called the Legal Book Search which allows users to access PDF versions of specialized books on laws, accounting, tax accounting, and business management. This service is a fixed rate service for attorneys to access the free book search functions and view the PDF

versions on their tablets and PCs.

In the current 3rd Quarter, as a result of online promotional activities towards TCK Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments, the number of users exceeded 52,200 IDs and the Library is used by over 23,000 institutions as of June 30, 2021.

(ii) Progress in the academic market

Due to the impacts of COVID-19, many universities continue to conduct hybrid-style classes combining face-to-face and online lectures or full online classes after April 2021. Our systems, such as the TKC Educational and Research Support System and TKC Law Library, can be accessed online and used anytime, anywhere. They contain a huge number of diverse contents compared to those of other companies, and include various functions such as report generation, computing and testing. These features are being reconsidered as tools to support online classes and learning for faculty and students. To date, the Company conducts web meetings with various universities as needed, and continues to provide support in the development of online learning environments tailored to meet the situation of each university.

Also, the online study tools (for civil service examination, practical business law examination, and jurisprudence examination) offered mainly to the faculty of law of universities have been adopted by 26 universities as of June 30, 2021. Currently, many qualification examinations are adopting computer-based testing (CBT/IB method). We will promote the use of our online testing functions and other effective online study tools to prepare for computer-based examinations among examination bodies and applicants.

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 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 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 June 30, 2021. In the current 3rd Quarter, we continued to undertake proposal activities to win new contracts, as well as supported smooth system transition of newly implementing municipalities that completed a full-scale launch by March 2021 and those scheduled for a full-scale launch by January 2022. 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 provided services for the revision of the vaccination ledger system and launching of the COVID-19 vaccination reservation & registration system.

(2) Support for digitalization of administrative services

In an aim to contribute to promoting digital transformation of local governments, the Company provides administrative service digitalization support solutions which support governments to achieve “no writing, no waiting, no visiting” administrative counter services. In this 3rd Quarter, we enhanced the functionalities of the TASK Cloud Easy Counter Service System and TASK Cloud My Number Card Issuance Reservation and Management System, and also developed and completed the launch of the TASK Cloud Smart Application System with the cooperation of Osaka city, Osaka Prefecture.

As a result of aggressive promotional activities of these services, the TASK Cloud Smart Application System has been adopted by over 10 municipalities including government ordinance-designated cities such as Osaka, Kobe, and Sakai cities, the TASK Cloud Easy Counter Service System is used by more than 20 municipalities, and the TASK Cloud My Number Card Issuance Reservation and Management System is adopted by over 60 municipalities.

(3) Support for 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 approximately 780 agencies which account for

more than 40% of all prefectures and local municipalities as of June 30, 2021.

In the current 3rd 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

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

The Company provides the TASK Cloud Public Accounting System, as local public accounting systems integrated with 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 3rd Quarter, the Company engaged in enhancing the functions using the public accounting data from these local public accounting systems, such as year-by-year comparison analysis and graph displays. It also 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. As a result, our local public accounting systems are adopted by more than 280 agencies as of June 30, 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.’” On December 25, 2020, the Ministry of Internal Affairs and Communications announced the Local Governments Digital Transformation (DX) Promotion Plan, and six legislative bills on digital reform were adopted on May 12, 2021, mandating local governments to standardize and commonalize their information systems by March 31, 2026.

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 3rd Quarter, we gathered and communicated information on the digitalization of administrative services and standardization of operational systems, and conducted surveys, research and development on next-generation solutions through experimental projects with advanced organizations to support the post-COVID-19 “New Normal Lifestyle.”

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

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

The DPS area continues to face failure to receive large projects from government offices, decline in contract prices due to lower pricing, and decrease in demands for direct mail from private enterprises due to impacts of COVID-19 pandemic. Meanwhile, thanks to orders related to COVID-19 vaccination coupons from municipalities, decrease in sales was kept to a small decrease. Also, in view of the restart of economic activities, we approached private companies in an effort to win new contracts for direct mails.

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

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

II. Financial Conditions

Assets, liabilities and net assets at the end of the current 3rd quarter consolidated accounting period are stated below.

1. Assets

Total assets as of the end of the current 3rd quarter consolidated accounting period amounted to 100,106 million yen, 2,435 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 3rd quarter consolidated accounting period amounted to 36,571 million yen, a 727 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 567 million yen in Notes and accounts receivable.

(2) Non-current assets

Non-current assets as of the end of the current 3rd quarter consolidated accounting period amounted to 63,534 million yen, a 1,707 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 3,041 million yen increase in Investment securities, despite a 1,264 million yen decrease in Deferred tax assets included in Other of Investments and other assets.

2. Liabilities

Total liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 17,648 million yen, a 2,947 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 3rd quarter consolidated accounting period amounted to 12,318 million yen, a 2,383 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 2,201 million yen in Provision for bonuses.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 5,330 million yen, a 563 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 290 million yen decrease in Provisions for stocks payment and a 253 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 3rd quarter consolidated accounting period amounted to 82,458 million yen, a 5,382 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 4,152 million yen in Retained earnings and an increase of 791 million yen in Valuation difference on available-for-sale securities.

Equity ratio as of the end of the current 3rd quarter consolidated accounting period was 82.4%, a 3.5 percentage point increase compared to the ratio of 78.9% as of the end of the previous consolidated fiscal year.

III. Operational and Financial Challenges Facing the TKC Group

There are no significant changes in challenges faced by the TKC Group during the current 3rd quarter consolidated cumulative period.

IV. Research and Development Activities

There were no research and development expenses spent by the TKC Group during the current 3rd quarter consolidated cumulative period.

There are no significant changes in the status of research and development activities of the TKC Group during the current 3rd quarter consolidated cumulative period.

3 [Material Agreements, etc.]

There has been no decision or conclusion of material agreements, etc., during the current 3rd 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

(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 3rd quarter accounting period (shares) (June 30, 2021)	Number of shares issued as of the filing date (shares) August 12, 2021	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	First Section of the Tokyo Stock Exchange	Number of shares consisting a unit: 100 shares
Total	53,462,066	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)
April 1, 2021 (Note)	26,731,033	53,462,066	—	5,700	—	5,409

(Note) As a result of a stock split (1:2).

(5) [Major shareholders]

There is nothing applicable to be disclosed as the current quarter is the 3rd quarter accounting period.

(6) [Voting rights]

The status of voting rights as of the end of the current 3rd quarter accounting period indicated hereunder are based on the shareholders registry as of the most recent record date (March 31, 2021) because the content of the shareholders registry as of the end of the current 3rd quarter cannot be confirmed.

(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. The number of treasury stocks owned by the BIP Trust as of the end of the current 3rd quarter accounting period was 109,900 shares (219,800 shares after taking into consideration the stock split).

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 3rd quarter consolidated accounting period (from April 1, 2021 to June 30, 2021) and the 3rd quarter consolidated cumulative period (from October 1, 2020 to June 30, 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 3rd quarter consolidated accounting period (June 30, 2021)
Assets		
Current assets		
Cash and deposits	26,769	26,178
Notes and accounts receivable–trade	7,014	7,581
Inventories	723	468
Other	1,357	2,359
Allowance for doubtful accounts	(19)	(15)
Total current assets	35,844	36,571
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	8,182	7,831
Land	6,911	6,911
Other (net amount)	2,699	2,742
Total property, plant and equipment	17,794	17,486
Intangible assets	3,120	3,358
Investments and other assets		
Investment securities	16,282	19,323
Long-term deposits	14,600	14,600
Guarantee deposits	1,438	1,434
Other	8,591	7,330
Total investments and other assets	40,911	42,689
Total non-current assets	61,826	63,534
Total assets	97,671	100,106
Liabilities		
Current liabilities		
Accounts payable–trade	2,181	1,993
Electronically recorded obligations–operating	802	1,122
Shore-term loans payable	142	98
Accounts payable–other	4,227	3,440
Income taxes payable	2,549	644
Provisions for bonuses	3,673	1,471
Other	1,124	3,546
Total current liabilities	14,701	12,318
Non-current liabilities		
Long-term loans payable	295	250
Retirement benefit liabilities	3,400	3,473
Provisions for stocks payment	599	308
Other	1,598	1,297
Total non-current liabilities	5,893	5,330
Total liabilities	20,595	17,648

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2020)	Current 3rd quarter consolidated accounting period (June 30, 2021)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,588	6,588
Retained earnings	68,533	72,685
Treasury stock	(1,660)	(1,351)
Total shareholders' equity	79,161	83,623
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(553)	238
Accumulated remeasurements of defined benefit plans	(1,532)	(1,403)
Total accumulated other comprehensive income	(2,085)	(1,164)
Total net assets	77,075	82,458
Total liabilities and net assets	97,671	100,106

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

[Quarterly consolidated statements of income]

[3rd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)	Current 3rd quarter consolidated cumulative period (Started October 1, 2020; ended June 30, 2021)
Net sales	51,310	49,587
Cost of sales	17,222	14,288
Gross profit	34,088	35,298
Selling, general and administrative expenses	24,110	23,796
Operating income	9,977	11,502
Non-operating income		
Interest income	26	39
Dividends income	146	150
Insurance dividends income	3	12
Land and house rent received	37	38
Other	55	65
Total non-operating income	269	306
Non-operating expenses		
Interest expenses	1	0
Loss on sale of securities	—	0
Foreign exchange losses	0	0
Other	0	—
Total non-operating expenses	1	0
Ordinary income	10,245	11,808
Extraordinary income		
Gain on sales of non-current assets	1	1
Gain on sales of investment securities	—	8
Other	—	0
Total extraordinary income	1	10
Extraordinary losses		
Loss on sale of non-current assets	—	22
Loss on retirement of non-current assets	21	15
Loss on valuation of investment securities	—	89
Total extraordinary losses	21	126
Quarterly net income before taxes and adjustments	10,225	11,692
Income taxes—current	2,729	2,700
Income taxes—deferred	723	1,030
Total income taxes	3,453	3,730
Quarterly net income	6,771	7,961
Quarterly net loss attributable to non-controlling interests	(20)	—
Quarterly net profit attributable to owners of parent	6,792	7,961

[Quarterly consolidated statements of comprehensive income]

[3rd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)	Current 3rd quarter consolidated cumulative period (Started October 1, 2020; ended June 30, 2021)
Quarterly net income	6,771	7,961
Other comprehensive income		
Valuation difference on available-for-sale securities	(602)	791
Remeasurements of retirement benefits	128	128
Total other comprehensive income	(473)	920
Quarterly comprehensive income	6,298	8,881
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	6,320	8,881
Quarterly comprehensive income attributable to non- controlling interests	(22)	—

[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 3rd quarter consolidated cumulative period decreased by 2,019 million yen, cost of sales decreased by 1,939 million yen, and the amounts of operating income, ordinary income, and quarterly net income before taxes and adjustments decreased by 80 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 434 million yen for 219,800 shares as of the end of this current 3rd quarter consolidated accounting period.

(Note) The Company conducted a stock split of its common shares at a ratio of 1:2 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 the Group Tax Sharing System (Practical Solution No. 39, March 31, 2020), the Company and its consolidated subsidiaries do not implement the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) for items that were transitioned to the group tax sharing system which was established in the Law for Partial Revisions to the Income Tax Act, etc. (Law No. 8 of 2020) and items that were revised under the non-consolidated taxation system in line with the transition to the group tax sharing system. The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Tax Act prior to revisions.

(Notes to the quarterly consolidated statements of cash flows)

The Company does not prepare the quarterly consolidated statements of cash flows for the current 3rd quarter consolidated cumulative period. The depreciation (including amortization of intangible assets) for the current 3rd quarter consolidated cumulative period is as follows:

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)	Current 3rd quarter consolidated cumulative period (Started October 1, 2020; ended June 30, 2021)
Depreciation	2,286 million yen	2,172 million yen

(Notes to shareholders' equity, etc.)

I. Previous 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)

Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 20, 2019 Ordinary General Meeting of Shareholders	Common stock	1,456	55	September 30, 2019	December 23, 2019	Retained earnings
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 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 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.
3. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

II. Current 3rd quarter consolidated cumulative period (Started October 1, 2020; ended June 30, 2021)

Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 18, 2020 Ordinary General Meeting of Shareholders	Common stock	1,720	65	September 30, 2020	December 21, 2020	Retained earnings
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 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 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.
3. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

(Segment information, etc.)

[Segment information]

I. Previous 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 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 Governmen ts BD	Printing BD	Total		
Net sales						
(1) Sales to outside customers	34,917	13,763	2,629	51,310	—	51,310
(2) Inter-segment sales or transfers	6	0	1,763	1,770	(1,770)	—
Total	34,924	13,763	4,393	53,081	(1,770)	51,310
Segment profit	8,649	1,104	229	9,984	(6)	9,977

(Notes) 1. Adjustments of segment profit of -6 million yen include amounts for elimination of inter-segment transactions and adjustment of inventory assets.

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

II. Current 3rd quarter consolidated cumulative period (Started October 1, 2020; ended June 30, 2021)

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

(Unit: millions of yen)

	Reportable segment				Adjustment s (Note 1)	Amounts in quarterly consolidated statements of income (Note 2)
	Accounting Firm BD	Local Governmen ts BD	Printing BD	Total		
Net sales						
(1) Sales to outside customers	33,341	13,838	2,408	49,587	—	49,587
(2) Inter-segment sales or transfers	4	0	1,698	1,702	(1,702)	—
Total	33,345	13,838	4,106	51,290	(1,702)	49,587
Segment profit	9,050	2,298	147	11,495	6	11,502

(Notes) 1. Adjustments of segment profit of 6 million yen include amounts for elimination of inter-segment transactions and for adjustments of inventory assets, etc.

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

2.Changes, etc. to reportable segments

As stated in the (Changes in Accounting Policies), the Company applies the Revenue Recognition Accounting Standard, etc. from the beginning of the 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 3rd quarter consolidated cumulative period: for the Accounting Firm BD, net sales decreased by 1,850 million yen, and segment profit decreased by 141 million yen; for the Local Governments BD, net sales decreased by 137 million yen, and segment profit increased by 60 million yen; and for the Printing BD, net sales decreased by 32 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 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)	Current 3rd quarter consolidated cumulative period (Started October 1, 2020; ended June 30, 2021)
Quarterly net income per share	129.23 yen	151.19 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	6,792	7,961
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	6,792	7,961
Average number of common stocks outstanding (hundreds of shares)	525,598	526,543

- (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 380,386 shares for the previous 3rd quarter consolidated cumulative period, and 279,391 shares for the current 3rd 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 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)

None to be disclosed.

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

August 12, 2021

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated Limited
Liability Partner
Executing Partner

Certified Public
Accountant

Kanji Tako (seal)

Designated Limited
Liability Partner
Executing Partner

Certified Public
Accountant

Toru Iizuka (seal)

Auditor's Conclusion

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, we have conducted a review of the quarterly consolidated financial statements of the consolidated fiscal year of the Company (started from October 1, 2020 and ending September 30, 2021) for the 3rd quarter consolidated accounting period (from April 1, 2021 to June 30, 2021) and for the 3rd quarter consolidated cumulative period (from October 1, 2020 to June 30, 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 does not properly represent, in all material respects, the financial conditions of TKC Corporation and its consolidated subsidiaries as of June 30, 2021 and their operating results for the 3rd 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 and persons responsible for financial and accounting matters, and perform analytical procedures and other quarterly review procedures. The quarterly review procedure is a limited procedure compared to the procedure of auditing the annual financial statements performed in accordance with auditing standards generally accepted in Japan.
- If we determine 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, 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 on the Group's ability to continue as a going concern, 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 express a limited conclusion or negative conclusion 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 that the quarterly consolidated financial statements do not represent the underlying transactions and events in a matter that achieves fair presentation.
- Obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the quarterly review of the quarterly consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

Interest

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

End of document

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

[Front Cover]

[Document filed]	Confirmation Letter
[Applicable law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	August 12, 2021
[Company name]	<i>Kabushiki Kaisha TKC</i>
[Company name in English]	TKC Corporation
[Title and name of representative]	Masanori Iizuka, Representative Director, President and Executive Officer
[Title and name of Chief Financial Officer]	Kiyotsugu Nakanishi, Director & Executive Officer, Chief Director of Business Administration
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

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

Masanori Iizuka, Representative Director, President and Executive Officer of the Company and Kiyotsugu Nakanishi, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report for the 3rd quarter of the 55th term (started April 1, 2021; ended June 30, 2021) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.