

Quarterly Report

(56th Term 2nd Quarter)

Started January 1, 2022

Ended March 31, 2022

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

Table of Contents

Page

[Front Cover]	
Section 1 [Information on the Company]	- 4 -
Part 1 [Overview of the Company]	- 4 -
1 [Key Financial Data]	- 4 -
2 [Description of Business]	- 5 -
Part 2 [Business Overview]	- 5 -
1 [Risk Factors]	- 5 -
2 [Management Analysis of Consolidated Financial Conditions, Operating Results, and Cash Flows]	- 5 -
3 [Material Agreements, etc.]	- 14 -
Part 3 [Information on the Company]	- 15 -
1 [Information on the Company's Stock]	- 15 -
(1) [Total number of shares, etc.]	- 15 -
(2) [Share subscription rights, etc.]	- 15 -
(3) [Exercise of bonds with share subscription rights containing a clause for exercise price adjustment, etc.]	- 15 -
(4) [Changes in total number of issued shares, capital stock, etc.]	- 15 -
(5) [Major shareholders]	- 16 -
(6) [Status of voting rights]	- 17 -
2 [Officers]	- 17 -
Part 4 [Financial Information]	- 18 -
1 [Quarterly Consolidated Financial Statements]	- 19 -
(1) [Quarterly consolidated balance sheets]	- 19 -
(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]	- 21 -
[Quarterly consolidated statements of income]	- 21 -
[Quarterly consolidated statements of comprehensive income]	- 22 -
(3) [Quarterly consolidated statements of cash flows]	- 23 -
2 [Other]	- 29 -
Section 2 [Information on Guarantors, etc. of the Company]	- 30 -

[Quarterly Review Report] [Confirmation Letter]

[Front Cover]

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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Term & Period	55th Term 2nd quarter consolidated cumulative period	56th Term 2nd quarter consolidated cumulative period	55th Term
Accounting period	Started October 1, 2020; ended March 31, 2021	Started October 1, 2021; ended March 31, 2022	Started October 1, 2020; ended September 30, 2021
Net sales (millions of yen)	33,372	33,768	66,221
Ordinary income (millions of yen)	8,086	8,431	12,673
Quarterly (current) net income attributable to owners of parent (millions of yen)	5,495	5,816	8,686
Quarterly comprehensive income or comprehensive income (millions of yen)	6,319	6,038	9,839
Net assets (millions of yen)	81,611	86,338	83,416
Total assets (millions of yen)	101,067	105,934	103,406
Quarterly (current) net income per share (yen)	104.42	110.82	164.93
Quarterly (current) diluted net income per share (yen)	—	—	—
Equity ratio (%)	80.7	81.5	80.7
Cash flows from operating activities (millions of yen)	3,154	5,086	10,550
Cash flows from investing activities (millions of yen)	(3,074)	(3,229)	(7,201)
Cash flows from financing activities (millions of yen)	(1,852)	(3,219)	(3,691)
Cash and cash equivalents at end of quarter (period) (millions of yen)	21,697	21,765	23,126

Term & Period	55th Term 2nd quarter consolidated accounting period	56th Term 2nd quarter consolidated accounting period
Accounting period	Started January 1, 2021; ended March 31, 2021	Started January 1, 2022; ended March 31, 2022
Quarterly net income per share (yen)	68.73	68.44

- (Notes) 1. Changes in key financial data, etc. of the Company are not stated here, as they are included in the Company's quarterly consolidated financial statements.
2. The Company maintains a Board Incentive Plan (BIP) Trust and records the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly (current) net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.
3. The quarterly (current) diluted net income per share is not stated as there were no dilutive shares.
4. 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.

2 [Description of Business]

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

Part 2 [Business Overview]

1 [Risk Factors]

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

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

I. Operating Results

The Japanese economy during the 2nd quarter consolidated cumulative period under review (“current 2nd Quarter”) remains unclear due to inflation and supply chain disruptions caused by weak yen and Russia’s invasion of Ukraine, while the outlook for the containment of the novel coronavirus disease (COVID-19) pandemic is still unpredictable.

In such situations, the Japanese government has been offering booster vaccinations and taking various measures to support the people and SMEs towards resuming the socio-economic activities. The Group carried out its business in an aim to contribute to the local communities and society by quickly complying with such governmental initiatives and offering compatible systems and services.

The Accounting Firm Business Division supports certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) in enabling them to provide their clients with financing support and managerial advisory services as escort supporters of SMEs. We also support SMEs in achieving profitable results and proper filing by providing cloud-based accounting systems.

The Local Governments Business Division quickly provided services in response to the release of the administrative circular “Printing and Mailing of Vaccination Vouchers, etc. for COVID-19 Vaccine Booster Shots (3rd Dose)” on October 20, 2021 from the Ministry of Health, Labour and Welfare, including services for the production of COVID-19 vaccination vouchers and provision of vaccination reservation & registration systems, thereby supporting customer local municipalities in their COVID-19 vaccination projects.

As a result of these activities, the operating results for the current 2nd Quarter of the consolidated Group comprising TKC Corporation and its six consolidated subsidiaries recorded a net sales of 33,768 million yen (increased 1.2% year-on-year), operating income of 8,225 million yen (increased 4.0% year-on-year), ordinary income of 8,431 million yen (increased 4.3% year-on-year), and quarterly net income attributable to owners of parent of 5,816 million yen (increased 5.8% year-on-year).

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

1. Results of operation for the 2nd Quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD were 22,776 million yen (increased 1.4% year-on-year); operating income was 6,456 million yen (increased 7.8% year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 3.7% year-on-year. Medium-size companies are rapidly working towards digital transformation (DX), and in such climate, this was attributable to the growth in number of implementations of the FX4 Cloud Integrated Accounting Information System for mid-size companies, which enables the accounting of journal entries from sales management systems, salary calculation systems and other business systems in connection with accounting data, and the increase in the number of accounting firms adopting the Office Management System (OMS Cloud) for Tax Accounting Firms and the OMS Mobile which allows them to work using the OMS from home or outside their offices.
- (ii) Software sales increased by 2.5% year-on-year. This was attributable to increase in clients who began using the FX Cloud Series to comply with the Revised Electronic Books Maintenance Act of Japan enacted as of January 1, 2022. The FX Cloud Series meet the legal requirements of “superior electronic books” and come equipped with documented evidence storage functions as standard feature.
- (iii) Sales from consulting services increased 2.6% year-on-year. This was due to strong sales of the FX4 Cloud, leading to increase in orders for system launch support services.
- (iv) Hardware sales decreased by 4.6% year-on-year. This was due to many companies postponing the replacement of PCs, as Internet banking services offered by financial institutions are not yet compatible with Windows 11. As companies may be able

to receive funding to cover the purchase of hardware under the Subsidy Program for Introducing IT to Businesses for Productivity Improvement in Services, etc. (“subsidies for introduction of IT”) for this fiscal year, many companies decided to purchase their PCs after the calls for applicants for subsidies open in April. Consequently, the number of PC sales decreased.

- (v) Sales from supplies decreased by 1.6% year-on-year. While sales of office equipment to support remote works and digitalization were strong, more clients are now using self-accounting and moving to paperless operations, and demands for paper accounting supplies and printing-related consumables have declined.
- (vi) Improvement in operating income year-on-year was a result of increase in sales of computer services and software with higher profit margins, while sales of hardware and office supplies with lower profit margins decreased from the previous year.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD were 9,311 million yen (decreased 0.5% year-on-year); operating income was 1,740 million yen (decreased 14.2% year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 13.8% year-on-year. This was driven by increase in data center usage fees by new clients whose systems ordered in the previous fiscal year were fully launched, new contracts for printing of vouchers, etc., for COVID-19 vaccine booster shots (3rd dose), and new contracts for production of entry tickets, etc., for the election of members of the House of Representatives.
- (ii) Software sales decreased by 4.8% year-on-year. This was due to decrease year-on-year in temporary sales in response to system reforms recorded in the previous fiscal year, including sales from system revisions for vaccination projects and revisions to the Digital Administrative Procedures Act. Revenue from software usage fees for our mission-critical system is growing steadily as the customer base continues to expand.
- (iii) Sales from consulting services decreased by 37.9% year-on-year. This is because the fees for the change-over of municipalities’ intermediate servers & platforms recorded in the previous fiscal year will not be generated this fiscal year.
- (iv) Hardware sales decreased by 10.8% year-on-year. This was due to factors such as decrease in renewal of servers and other equipment which was intense in the previous fiscal year.
- (v) Decrease in operating income year-on-year was a result of decrease in sales for temporary system revisions and consulting services to address system reforms, etc., despite increase in sales of computer services for the launch of systems for new customers.

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

Net sales of the Printing BD were 1,680 million yen (increased 8.6% year-on-year); operating income was 28 million yen (operating loss of 117 million yen in the 2nd quarter of the previous fiscal year). Breakdown of sales is as follows:

- (i) Sales of data printing service-related products increased by 18.3% year-on-year. This was due to winning of contracts for the printing of entry tickets for the election of members of the House of Representatives, vouchers for COVID-19 vaccination by local municipalities, notices for special cash payments for households exempted from inhabitant tax, and Notice on 2021 Income Tax Report postcards.
- (ii) Business form-related sales decreased by 3.2% year-on-year. This was due to decline in demands for business forms as a result of progress in digital transformation among client companies.
- (iii) Sales of printing of commercial-use creative materials (catalogs, books, etc.) increased by 10.8% year-on-year. This was due to winning many new contracts for the printing of books and other materials illustrating the Revised Electronic Books Maintenance Act, new invoicing system, and FY2022 tax reforms.
- (iv) The increase in operating income year-on-year was a result of increase in amounts of orders for DPS-related products described above.

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 continues to take the following infection prevention measures and adapt 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 are continuing 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, in principle we encourage employees in areas subject to declaration of state of emergency and pre-emergency measures to work from home. We also make it a general rule to utilize Web meeting systems for customer support and business meetings.

(2) Selection of Prime Market for the new market segment and disclosure of results of ESG activities

The Company resolved at the meeting of the Board of Directors held in November 2021, to select the Prime Market under the new market segments on the Tokyo Stock Exchange, Inc. Accordingly, we disclosed our Sustainability Policy and Results of ESG Activities through our website.

(3) Acquisition of a patent on the functions of the FX Cloud Series

The Company acquired a patent on the field auditing functions to be incorporated in its financial accounting system FX Cloud Series. (Acquired on January 20, 2022; Patent No. 7012895)

(4) TKC Customer Support Service Co., Ltd. (TCSS) rated “3 Star” in HDI Benchmarking

TCSS is a fully owned subsidiary of the Company that specializes in offering call center services. On February 16, TCSS became the first company in the package software industry to be awarded the highest “3 Star” rating in the “quality ranking” benchmark by HDI-Japan.

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 11,500 certified public tax accountants and certified public accountants (as of March 31, 2022) that are customers of TKC.

(1) Activities to achieve “positive balance” and “proper filing”

(i) Support of SMEs affected by COVID-19 pandemic

The Company aggressively engages in activities to support customers 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 deliver information on SME support policies released by the national government and SME support organizations, the Company offers TKC Members on-demand webinars on the latest information and systems over the exclusive Intranet (ProFIT). We began this activity on February 25, 2020, and posted a total of 265 entries as of the end of March 2022.

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. As of the end of March 2022, the website had 6,949 entries on support policies and is the largest database dedicated to SME support policies in Japan. The site is updated twice a week since the launch to ensure that the latest information is available at all times.

3) Upgrading of check function for clients requiring emergency support

The Company provides check function for clients requiring emergency support on the Tax Accountants Office Management system (OMS Cloud). The function enables automatic evaluation of eligibility of each client in the form of a checklist of various governmental emergency economic policies, special loans by government-affiliated financial institutions and other SME support policies. We update the function each time the eligibility requirements for new subsidies and emergency loans are made available, and offer the capability to extract eligible clients with a single click. In February 2022, it was upgraded to enable users to evaluate the eligibility for the Subsidy Program for Business Recovery.

4) Provision of TKC Monthly Indicators (Monthly BAST)

TKC Monthly Indicators (Monthly BAST) contains monthly settlement data of over 250,000 companies that receive monthly field audits by TKC Members, and is offered free of charge. It is a statistical summary unprecedented in Japan, allowing users to 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. The Monthly BAST is utilized by those in charge of supporting SMEs at financial institutions and administrative agencies, and economists analyzing the trends of SMEs for the purpose of determining measures to support SMEs going forward.

(ii) New activity policy of TKCNF and sales activities to achieve targets

1) New activity policy of TKCNF

TKCNF has set a new activity policy for the next three years: “TKC accountants challenging the future—push through field auditing and support companies in achieving positive balance and proper filing!” It also set the following three targets to achieve this policy.

i) Massively expand superior electronic books

Promotion of self-accounting by the TKC methods

ii) Become guardians of tax justice

Promotion of Shomen-tempu (attachment of tax audit reports) by the TKC methods

iii) Support the achievement of positive balance and foster good-standing companies

Promotion of field auditing and managerial advisory services

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

2) Change in the definition of “good-standing companies” in the Business Analyses & Statistics by TKC (BAST)

Starting from the 2022 edition of “Business Analyses & Statistics by TKC (BAST)” (scheduled to be released in June 2022), the definition of “good-standing companies” will be changed. Companies that satisfy all of the requirements below will be included in the analyses and statistics as good-standing companies.

- Practice of Shomen-tempu (attachment of tax audit reports)
- Compliance with “Chusho Kaikei Yoryo” (Guidelines for SME Accounting)
- Increase of marginal income for two consecutive fiscal years
- Equity ratio of 30% or greater
- Net income before taxes positive

By setting the criteria with emphasis on companies that implement compliance and work towards high value-added management under the guidance of TKC Members, we will make appeal to society that “TKC Members are supporters working to foster good-standing companies in the community.”

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

As many SMEs are in need to plan for repaying the virtually interest-free, no-collateral loans that were obtained during the pandemic, 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. 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).

We also found that management using our cloud-based financial accounting system FX Cloud series tends to access the system quite frequently by themselves to check the performance. The advantage of cloud is utilized, in that managers can access the system from their own PCs. By offering assistance to implement the FX Cloud series, the Company will work to support SMEs in achieving “positive balance” and “proper filing.”

As a result of these activities, the FX series has been implemented by approximately 295,000 companies as of March 31, 2022.

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

The requirements for the retention of electronic books have been eased in the Revised Electronic Books Maintenance Act enacted as of January 1, 2022. With this, there will be a distinction among 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 address this issue, the Company promotes the use of the FX series for the preparation of “superior electronic books” on a national level.

In addition, electronic retention of electromagnetic transaction data will be mandated under the Revised Electronic Books Maintenance Act. While recording in paper form will be accepted up to December 2023, all business operators must comply with the obligation within two years. We are providing support for the use of the FX series, which is equipped with a standard function to enable electronic storage of transaction data in electromagnetic form.

5) Supporting complete compliance with the new invoicing system

A new invoicing system will be implemented on October 1, 2023. Business entities subject to consumption tax must prepare for a new invoicing system by the time the new rule comes into effect, including application for registration as qualified invoice issuer, preparation for issuing qualified invoices, and gaining knowledge on bookkeeping from qualified invoices. To enable accounting firms to provide smooth support to SMEs, the Company is developing on-demand seminars, offering reference materials, and planning other supports.

6) 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 statements and tax returns are disclosed immediately after the client electronically files its financial documents to the tax authorities.

While promoting the TKC Monitoring Information Service, the Company 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, TKC Monitoring Information Service is adopted by 474 financial institutions including all local banks throughout Japan (64 institutions) as of March 31, 2022. The Service was used for more than 300,000 cases as of March 31, 2022.

While the issue of excessive debt of SMEs is gradually surfacing amidst the pandemic, our TKC Monitoring Information Service, which can quickly provide monthly trial balance sheets, financial statements, and tax returns, is gaining high acclaim from financial institutions and credit guarantee corporations that are striving to support the businesses of SMEs.

This Service is expected to serve as a bridge between financial institutions and TKC Members in their efforts to support the businesses of SMEs.

7) Soliciting new members (promotion of joining TKCNF)

TKCNF continues to engage in a project to increase TKC membership to exceed 10,000 firms. To achieve this goal, the Company worked closely with the New Members Service Committee and other members of TKCNF in activities such as active hosting of webinars.

As a result of these activities, the number of TKC Member firms totaled approximately 9,900 accounting firms (11,500 accountants) as of March 31, 2022. 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 SMEs 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, etc. 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.

For private businesses who will be using the TKC systems for accounting and tax return process starting in January 2022 and receive issuance of Certificate of Bookkeeping Timeliness, we have enhanced the functions to enable them to submit their blue returns and other documents to financial institutions through the TKC Monitoring Information Service. We will continue to support private businesses in strengthening their collaboration with financial institutions.

(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 is actively working to solicit these companies and their affiliates to become clients of TKC Members.

(i) Responding to the Group Tax Sharing System

The consolidated taxation system has been reformed and the group tax sharing system will apply to the fiscal year starting after April 1, 2022. The parent company and each subsidiary of the corporate group subject to the group tax sharing system must file their corporate income tax returns electronically.

The Company has been providing aggressive support to large enterprises with a capital of 100 million yen or greater in complying with the new obligation to use electronic tax filing. Through such activities, approximately 36% of the 22,000 some companies with a capital of 100 million yen or greater now use our ASP1000R electronic tax filing system for corporations and the eConsoliTax consolidated tax payment system as of the end of March 2022.

Based on the expertise accumulated to date, the Company is developing a new “Group Tax Sharing System” service to facilitate compliance with the group tax sharing system, and works closely with TKCNF's Medium- and Large-sized Companies Support Council (1,524 members as of the end of March 2022) in providing support to ensure smooth transition of companies that choose to apply the group tax sharing system.

(ii) Responding to the Revised Electronic Books Maintenance Act and Consumption Tax Invoicing System

The requirements for retention of electronic books have been eased in the Revised Electronic Books Maintenance Act of Japan enacted as of January 2022, and at the same time, electronic retention of electromagnetic transaction data has been mandated (with safe harbor rules). Moreover, as the consumption tax invoicing system will be implemented in October 2023, the formulation of standard specifications of electronic invoices and initiatives to promote the system are currently underway. To provide support for compliance with these legal reforms, we started providing the “Invoice Manager” service in January 2022, which has been adopted by 350 medium- and large-sized companies.

(iii) Support for managing the performance of foreign subsidiaries

With overseas traveling currently restricted due to COVID-19 pandemic, companies having business abroad are facing challenges in managing the performance of 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 corporate users of the OBMonitor reached 1,200 companies, and it is currently used in 37 countries around the world. We also concluded business

matching agreements with financial institutions to provide powerful support for overseas expansion of their customers and assist them in discovering and diverting errors and frauds in the business performance control and accounting processing. We have already entered into business matching agreements with nine financial institutions nationwide, and will continue to increase our partnership with other financial institutions.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 5,000 corporate groups as of March 31, 2022. With this, 91% of the 100 largest Japanese listed companies by sales amounts now adopt our systems. The market shares among Japanese listed companies reached 41%.

(4) Expansion of markets for legal information database services

(i) Increase of user base of TKC Law Library

We are currently offering package services of the TKC Law Library which are complied with related contents suitable for law firms and for corporate legal departments to facilitate their legal research. Due to the pandemic, working online has become a common practice today, and adopting these package services is now the mainstream instead of conducting research at data rooms or libraries. As such, the TKC Law Library which offers access to laws and regulations, judicial precedents, bibliographic information references and also articles in major 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, business management, etc. This service is a fixed rate service for attorneys to access the free book search functions and view (for fee) the PDF versions on their tablets and PCs. We are continuing to add more accessible books and expanding the service successfully.

In the current 2nd Quarter, as a result of online promotional activities towards TKC Member firms, universities, law schools, government offices, law firms, patent offices, corporate legal departments, and customers, the number of users exceeded 57,000 IDs and the Library is used by over 25,000 institutions as of March 31, 2022.

(ii) Progress in the academic market

Due to the impacts of COVID-19, many universities and law schools continue to conduct hybrid-style classes combining face-to-face and online lectures or full online classes after October 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, exercises 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 March 31, 2022. Currently, many qualification examinations are adopting computer-based testing (CBT/IBT 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 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.

The TASK Cloud Service is a single version package system operated at TKC data centers that is designed to allow shared use by multiple institutions. Service fees are charged in the form of fixed rate subscription fee depending on the scale of the municipality, which also include one regular upgrade per year. Acknowledged for these benefits, the TASK Cloud Service has been adopted by approximately 170 local municipalities as of March 31, 2022.

In the current 2nd Quarter, we provided these client municipalities with aggressive support for their vaccination projects by promptly offering systems for the COVID-19 Vaccine Booster Shots (3rd Dose).

(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 visiting, no waiting, no writing” administrative counter services.

In the current 2nd Quarter, we greatly enhanced the functionalities of the TASK Cloud Easy Counter Service System, the TASK Cloud My Number Card Issuance Reservation and Management System, and the TASK Cloud Smart Application System.

As a result of proposing the effective utilization of these services, the TASK Cloud Smart Application System has been adopted by approximately 30 agencies including government ordinance-designated cities such as Osaka, Yokohama, and Sakai cities, the TASK Cloud Easy Counter Service System is used by nearly 30 agencies, and the TASK Cloud My Number Card Issuance Reservation and Management System is adopted by almost 110 agencies as of March 31, 2022.

(3) Support for digitalization 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 ward and 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 March 31, 2022.

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

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.

There is a section in 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 that suggests: “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 budget items with account headings, and by establishing a system that can journalize and convert the budget items automatically upon budget execution. It may also 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.”

In light of these governmental policies, we encourage municipalities to consider implementing the TASK Cloud Public Accounting System upon updating their system. It is a local public accounting system that is compatible with the daily journalizing method recommended by the Japanese government.

In the current 2nd Quarter, we started providing the next generation version of public accounting system with enhanced functions to help the municipalities achieve sustainable administrative management including features such as accurate visualization of financial status and utilization of accounting data.

As a result, our local public accounting systems are adopted by approximately 300 agencies as of March 31, 2022.

(5) Research and development of next-generation products

The COVID-19 pandemic has highlighted the delay in digitalization and moving online in administrative areas. In response, the government formulated the Basic Policy on Economic and Fiscal Management and Reform 2020 (Cabinet Decision of July 2020) in which it positioned all-out promotion of a digital government as top priority, and accelerated its efforts of digitalization to move administrative procedures online and make them one stop and once only. Also, 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. With these policies, local governments throughout Japan are mandated to standardize and commonize their information systems by March 31, 2026.

To respond to changes in the environment surrounding our customers, the Company set up a new Local Government DX Promotion Headquarters as of November 1, 2021, and is working to accelerate the planning and development of new products and services as well as to strengthen customer support including the collection and communication of the latest information.

Also in the current 2nd Quarter, a joint proposal of clients of the Company (Misato Town and Kawajima Town, Saitama Pref.) was selected for the Government Cloud Predecessor Project procured by the Digital Agency of Japan. The Company began working on the Project with both towns as application vendors. We also continued conducting surveys, research and development on next-generation solutions through, for example, experimental projects with advanced organizations, to support the

digitalization of administrative services.

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.

In the current 2nd Quarter, net sales increased year-on-year thanks, in particular, to orders from local municipalities for the printing of entry tickets for the election of members of the House of Representatives, vaccination vouchers under their COVID-19 vaccination projects, and notices for special cash payments for households exempted from inhabitant tax, and orders from the National Tax Agency for the printing of Notice on 2021 Income Tax Report postcard.

In the DPS area, the Company provides products to support local municipalities in their operations to send various notifications to residents and private enterprises in posting direct mails, etc., including products to eliminate document inserting/sealing tasks based on our unique pressure bonding technology and printed products using our variable printing/typing technologies.

In the area of business form printing, net sales decreased year-on-year as a result of decline in demands for business forms in response to paperless trends.

In the area of commercial-use creative materials (catalogs, books, etc.), net sales increased year-on-year thanks to orders for the printing of books and other materials explaining the new system under the Revised Electronic Books Maintenance Act, measures for the new invoicing system, and the 2022 tax system revisions.

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 105,934 million yen, a 2,527 million yen increase compared to 103,406 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 37,010 million yen, a 902 million yen increase compared to 36,107 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,593 million yen increase in accounts receivable included in notes, accounts receivable, and contract assets, despite a 1,361 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 68,923 million yen, a 1,625 million yen increase compared to 67,298 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 1,190 million yen increase in investment securities and 1,100 million yen increase in long-term deposits, despite a 330 million yen decrease in long-term deferred tax assets included in Other and 234 million yen decrease in buildings and structures (net amount).

2. Liabilities

Total liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 19,595 million yen, a 394 million yen decrease compared to 19,990 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 14,308 million yen, a 413 million yen decrease compared to 14,721 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 933 million yen decrease in provisions for bonuses, despite a 368 million yen increase in income taxes payable.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 5,287 million yen, an 18 million yen increase compared to 5,268 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 59 million yen increase in retirement benefit obligations, despite a 35 million yen decrease in long-term debts.

3. Net assets

Total net assets as of the end of the current 2nd quarter consolidated accounting period amounted to 86,338 million yen, a 2,922 million yen increase compared to 83,416 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 3,725 million yen in retained earnings, despite decrease in net assets as a result of a 1,025 million yen increase in treasury stocks.

Equity ratio as of the end of the current 2nd quarter consolidated accounting period was 81.5%, a 0.8 percentage point increase compared to the ratio of 80.7% 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 21,765 million yen, a 1,361 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 5,086 million yen (1,932 million yen increase in revenue compared to the same quarter of the previous year). Major factors include the recognition of 8,431 million yen in Quarterly net income before taxes and adjustments, an increase of 2,416 million yen in Notes and accounts receivable–trade, and payment of 2,018 million yen in Income taxes paid.

(2) Cash flows from investing activities

Cash flows from investing activities decreased by 3,229 million yen (155 million yen increase in spending compared to the same quarter of the previous year). Major factors include expenditure of 2,800 million yen into time deposits, revenue of 1,700 million yen from withdrawal of time deposits, expenditure of 1,014 million yen for the acquisition of tangible investment securities, and expenditure of 1,045 million yen for the acquisition of intangible assets.

(3) Cash flows from financing activities

Cash flows from financing activities decreased by 3,219 million yen (1,366 million yen increase in spending compared to the same quarter of the previous year). Major factors include payment of 2,088 million yen for year-end dividends as of end of September 2021 (a dividend of 39.5 yen per share), and 1,034 million yen for acquisition of treasury stocks.

IV. Operational and Financial Challenges

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	120,000,000
Total	120,000,000

(ii) [Issued shares]

Class	Number of shares issued as of the end of 2nd quarter accounting period (shares) (March 31, 2022)	Number of shares issued as of the filing date (shares) (May 11, 2022)	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	Tokyo Stock Exchange, Inc. First Section (as of the end of 2nd quarter accounting period) Prime Market (as of the filing date)	Number of shares constituting a unit: 100 shares
Total	53,462,066	53,462,066	—	—

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

None to be disclosed.

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

None to be disclosed.

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

None to be disclosed.

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

Date	Increase or decrease in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase or decrease in capital stock (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)
January 1, 2022- March 31, 2022	—	53,462,066	—	5,700	—	5,409

(5) [Major shareholders]

As of March 31, 2022

Name of shareholder	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	75,170	14.3
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	51,380	9.8
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	48,752	9.3
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	30,930	5.9
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	29,125	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)	28,006	5.3
Masaharu Iizuka	Utsunomiya-shi, Tochigi	14,626	2.8
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	13,738	2.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	13,328	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	11,966	2.3
Sompo Japan Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	11,966	2.3
Total	—	328,991	62.5

(Note) The 215,200 shares of the Company held by the BIP Trust are not included in the treasury stocks to be deducted in calculating the percentage of shares held to the total number of issued shares.

(6) [Status of voting rights]

(i) [Shares issued]

As of March 31, 2022

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 829,300	—	—
Shares with full voting right (others)	Common stock 52,555,300	525,553	—
Shares less than one share unit	Common stock 77,466	—	—
Total number of issued shares	53,462,066	—	—
Total voting rights held by all shareholders	—	525,553	—

(Note) Shares with full voting right (others) includes 1,300 shares (13 units of voting rights) registered in the name of Japan Securities Depository Center, Inc., and 215,200 shares (2,152 units of voting rights) owned by the BIP Trust.

(ii) [Treasury stock, etc.]

As of March 31, 2022

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under other names (shares)	Total shares held (shares)	Percentage of shares held to the total number of issued shares (%)
TKC Corporation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	829,300	—	829,300	1.55
Total	—	829,300	—	829,300	1.55

(Note) In addition to the above, the 215,200 shares owned by the BIP Trust are recorded as treasury stocks.

2 [Officers]

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

Part 4 [Financial Information]

1. Method of Preparing Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements of the Company have been prepared in accordance with the Ordinance on 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, 2022 to March 31, 2022) and the 2nd quarter consolidated cumulative period (from October 1, 2021 to March 31, 2022) 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, 2021)	Current 2nd quarter consolidated accounting period (March 31, 2022)
Assets		
Current assets		
Cash and deposits	26,426	25,065
Notes and accounts receivable–trade	6,973	–
Notes, accounts receivable, and contract assets	–	9,791
Inventories	*412	*562
Other	2,309	1,602
Allowance for doubtful accounts	(14)	(10)
Total current assets	36,107	37,010
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	7,855	7,621
Land	6,802	6,802
Other (net amount)	2,882	2,782
Total property, plant and equipment	17,540	17,206
Intangible assets	3,605	3,901
Investments and other assets		
Investment securities	19,705	20,895
Long-term time deposits	16,600	17,700
Guarantee deposits	1,440	1,436
Other	8,406	7,783
Total investments and other assets	46,152	47,815
Total non-current assets	67,298	68,923
Total assets	103,406	105,934
Liabilities		
Current liabilities		
Accounts payable–trade	2,402	2,768
Electronically recorded obligations–operating	834	840
Short-term loans payable	80	71
Accounts payable–other	3,034	2,450
Income taxes payable	2,211	2,579
Contract liabilities	–	288
Provisions for bonuses	4,073	3,140
Other	2,083	2,168
Total current liabilities	14,721	14,308
Non-current liabilities		
Long-term loans payable	214	178
Retirement benefit liabilities	3,554	3,613
Provisions for stocks payment	307	314
Other	1,192	1,180
Total non-current liabilities	5,268	5,287
Total liabilities	19,990	19,595

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2021)	Current 2nd quarter consolidated accounting period (March 31, 2022)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,589	6,589
Retained earnings	73,411	77,136
Treasury stock	(1,352)	(2,377)
Total shareholders' equity	84,348	87,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	449	584
Accumulated remeasurements of defined benefit plans	(1,382)	(1,294)
Total accumulated other comprehensive income	(932)	(710)
Total net assets	83,416	86,338
Total liabilities and net assets	103,406	105,934

(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, 2020; ended March 31, 2021)	Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)
Net sales	33,372	33,768
Cost of sales	9,640	9,689
Gross profit	23,731	24,079
Selling, general and administrative expenses	*15,825	*15,854
Operating income	7,906	8,225
Non-operating income		
Interest income	23	34
Dividends income	70	83
Insurance dividends income	12	18
Land and house rent received	25	26
Other	48	65
Total non-operating income	180	228
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	—
Surcharges	—	20
Other	—	1
Total non-operating expenses	0	21
Ordinary income	8,086	8,431
Extraordinary income		
Gains on sale of non-current assets	1	1
Total extraordinary income	1	1
Extraordinary loss		
Loss on sale of non-current assets	22	—
Loss on retirement of non-current assets	14	1
Total extraordinary loss	36	1
Quarterly net income before taxes and adjustments	8,050	8,431
Income taxes—current	2,277	2,382
Income taxes—deferred	277	232
Total income taxes	2,555	2,615
Quarterly net income	5,495	5,816
Quarterly net profit (loss) attributable to owners of parent	5,495	5,816

[Quarterly consolidated statements of comprehensive income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)	Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)
Quarterly net income	5,495	5,816
Other comprehensive income		
Valuation difference on available-for-sale securities	738	134
Remeasurements of retirement benefits	85	87
Total other comprehensive income	824	222
Quarterly comprehensive income	6,319	6,038
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	6,319	6,038

(3) [Quarterly consolidated statements of cash flows]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2020; ended March 31, 2021)	Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)
Cash Flows from Operating Activities		
Quarterly net income before taxes and adjustments	8,050	8,431
Depreciation	1,464	1,494
Loss (gain) on sale of non-current assets	20	(1)
Loss on retirement of non-current assets	14	1
Increase (decrease) in provisions for stocks payment	(293)	7
Increase (decrease) in provisions for bonuses	(531)	(933)
Increase (decrease) in retirement benefit liabilities	127	184
Decrease (increase) in notes and accounts receivable– trade	(3,128)	(2,416)
Decrease (increase) in other assets	72	(21)
Increase (decrease) in accounts payable–trade	990	144
Increase (decrease) in other liabilities	(1,525)	184
Other	224	(104)
Subtotal	5,487	6,970
Interest and dividends received	110	135
Interest paid	(0)	(0)
Income taxes paid	(2,442)	(2,018)
Cash Flows from Operating Activities	3,154	5,086
Cash Flows from Investing Activities		
Payments into time deposits	(1,700)	(2,800)
Proceeds from withdrawal of time deposits	1,700	1,700
Purchase of property, plant and equipment	(473)	(97)
Purchase of intangible assets	(604)	(1,045)
Purchase of investment securities	(2,030)	(1,014)
Other	34	28
Cash Flows from Investing Activities	(3,074)	(3,229)
Cash Flows from Financing Activities		
Repayment of long-term loans payable	(71)	(45)
Proceeds from disposal of treasury stock	–	0
Purchase of treasury stock	(5)	(1,034)
Payment of dividends	(1,726)	(2,088)
Other	(48)	(51)
Cash Flows from Financing Activities	(1,852)	(3,219)
Increase (decrease) in cash and cash equivalents	(1,771)	(1,361)
Cash and cash equivalents at beginning of the year	23,469	23,126
Cash and cash equivalents at end of quarter	*21,697	*21,765

[Notes to Financial Statements]

(Changes in Accounting Policies)

The Company has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) (hereinafter, “Fair Value Measurement Accounting Standard”) etc., from the beginning of the 1st quarter consolidated accounting period. Further, in accordance with the transitional measures set forth in Section 19 of said Fair Value Measurement Accounting Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies under the Fair Value Measurement Accounting Standard, etc. in the future. There are no impacts on the quarterly consolidated financial statements.

(Additional Information)

(Application of Revenue Recognition Accounting Standard, etc.)

The Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) (hereinafter, “Revenue Recognition Accounting Standard”) etc. from the beginning of the 1st quarter consolidated accounting period.

As a result of applying the Revenue Recognition Accounting Standard, “Notes and accounts receivable–trade” under “Current assets” in the consolidated balance sheets for the previous consolidated fiscal year will be included and presented under “Notes, accounts receivable, and contract assets” from the 1st quarter consolidated accounting period, and “Contract liabilities” that was included in “Other” under “Current liabilities” will be presented as an independent item. Note that, in accordance with the transitional measures set forth in Section 89-4 of the Revenue Recognition Accounting Standard, the figures for the previous consolidated fiscal year have not been restated based on the new presentation method.

Moreover, in accordance with the transitional measures set forth in Section 28-15 of the Accounting Standard for the Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on disaggregation of revenue from contracts with clients in the previous 2nd quarter consolidated cumulative period is not presented herein.

(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 425 million yen for 215,200 shares as of the end of this current 2nd quarter consolidated accounting period.

(Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to Group Tax Sharing System)

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

(Notes to Quarterly Consolidated Balance Sheets)

* Breakdown of inventories is as follows:

	Previous consolidated fiscal year (September 30, 2021)	Current 2nd quarter consolidated accounting period (March 31, 2022)
Merchandise and finished goods	222 million yen	278 million yen
Work in progress	51 million yen	133 million yen
Raw materials and stored items	138 million yen	149 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, 2020; ended March 31, 2021)	Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)
Salaries	5,930 million yen	5,940 million yen
Provision for bonuses	2,740 million yen	2,572 million yen
Retirement benefit expenses	491 million yen	469 million yen
Provisions for stocks payment	15 million yen	16 million yen
Depreciation	352 million yen	348 million yen
Rent expenses	1,215 million yen	1,286 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, 2020; ended March 31, 2021)	Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)
Cash and deposits	24,997 million yen	25,065 million yen
Time deposits with deposit period greater than three months	(3,300 million yen)	(3,300 million yen)
Cash and cash equivalents	21,697 million yen	21,765 million yen

(Shareholders' Equity, etc.)

I. Previous 2nd quarter consolidated fiscal year (Started October 1, 2020; ended March 31, 2021)

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 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 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	Class 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 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, 2021; ended March 31, 2022)

(1) Dividend payments

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

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

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

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 10, 2022 Meeting of the Board of Directors	Common stock	1,894	36	March 31, 2022	June 13, 2022	Retained earnings

(Note) The total amount of cash dividends determined by resolution of the Board of Directors on May 10, 2022 includes a cash dividend of 7 million yen to the stocks of the Company owned by the BIP Trust.

(Segment Information, etc.)

[Segment information]

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

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.

II. Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)

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	22,776	9,311	1,680	33,768	—	33,768
(2) Inter-segment sales or transfers	1	0	926	927	(927)	—
Total	22,778	9,311	2,606	34,696	(927)	33,768
Segment profit	6,456	1,740	28	8,226	(1)	8,225

(Notes) 1. Adjustments of segment profit of -1 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.

(Revenue Recognition)

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

Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)

(Unit: millions of yen)

	Reportable segment			Total
	Accounting Firm BD	Local Governments BD	Printing BD	
Revenue from computer services	7,764	4,197	—	11,962
Software sales	9,092	3,347	—	12,439
Revenue from consulting	3,446	358	—	3,804
Office equipment sales	1,918	1,409	—	3,328
Accounting supplies sales	554	—	—	554
Revenue from printing-related services	—	—	1,680	1,680
Sales to outside customers	22,776	9,311	1,680	33,768

(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, 2020; ended March 31, 2021)	Current 2nd quarter consolidated cumulative period (Started October 1, 2021; ended March 31, 2022)
Quarterly net income per share	104.42 yen	110.82 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	5,495	5,816
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	5,495	5,816
Average number of common stocks outstanding (hundreds of shares)	526,251	524,798

- (Notes) 1. The average number of stocks outstanding used in the calculation of earnings per share information has been determined by including the stocks of the Company owned by the BIP Trust (which has been established with the introduction of the BIP Trust plan) as deductible treasury stocks.
The average numbers of said treasury stocks deducted for the calculation of quarterly net income per share were 308,813 shares for the previous 2nd quarter consolidated cumulative period, and 219,016 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 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 10, 2022, stated as follows.

(a) Total amount of cash dividends to be paid as interim dividends	1,894 million yen
(b) Dividend per share	36.00 yen
(c) Effective date for payment claim and commencement date for payment	June 13, 2022

(Note) Dividends are payable to the shareholders listed or recorded on the Register of Shareholders as of March 31, 2022.

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

None to be disclosed.

Quarterly Review Report of Independent Auditors

May 11, 2022

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC

Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Shigeyuki Honda
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toru Iizuka
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Auditor's Conclusion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have conducted a quarterly review of the quarterly consolidated financial statements presented in the Financial Information section, which comprise the quarterly consolidated balance sheets, the quarterly consolidated statements of income, the quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows, and notes of TKC Corporation applicable to the 2nd quarter consolidated accounting period (from January 1, 2022 to March 31, 2022) and the 2nd quarter consolidated cumulative period (from October 1, 2021 to March 31, 2022) of the consolidated fiscal year started October 1, 2021 and ending September 30, 2022.

Based on our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not properly represent, in all material respects, the financial position of TKC Corporation and its consolidated subsidiaries as of March 31, 2022, and their financial performance and cash flows for the 2nd quarter consolidated cumulative period then ended in conformity 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 code of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as the auditors. We believe that we have obtained evidence to provide a basis for our conclusion.

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 the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan. Responsibilities include those for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Corporate auditors and the Board of Auditors are responsible for overseeing the execution of duties by Directors in designing and implementing the Group's financial reporting process.

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

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

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

- We principally make inquiries to management and persons responsible for financial and accounting matters, and perform analytical procedures and other quarterly review procedures. The 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, we 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 principles for the preparation of quarterly consolidated financial statements generally accepted in Japan. If we conclude that such material uncertainty exists, we are required to draw attention in our quarterly review report to the related notes in the quarterly consolidated financial statements or, if such notes about the material uncertainty are inadequate, to express a conclusion with limitations or negative conclusion on the quarterly consolidated financial statements. Our conclusions are based on the evidence obtained up to the date of our quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate whether anything has come to our attention that causes us to believe that the presentation and notes of the quarterly consolidated financial statements are not in accordance with principles for the preparation of quarterly consolidated financial statements generally accepted in Japan; and whether anything has come to our attention that causes us to believe that the overall presentation, structure and content of the quarterly consolidated financial statements, including the related notes thereto, nor the quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the quarterly review of the quarterly consolidated financial statements. We remain solely responsible for our conclusions.
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 regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Conflicts of Interest

Our firm or its engagement partners have no interest in the Company and 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 original copy of the above quarterly review report 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 11, 2022
[Company name]	<i>Kabushiki Kaisha TKC</i>
[Company name in English]	TKC Corporation
[Title and name of representative]	Masanori Iizuka, Representative Director, President and Executive Officer
[Title and name of Chief Financial Officer]	Kiyotsugu Nakanishi, Director, Managing Executive Officer, Chief of the Business Administration Headquarters
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

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

Masanori Iizuka, Representative Director, President and Executive Officer of the Company and Kiyotsugu Nakanishi, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report for the 2nd quarter of the 56th term (started January 1, 2022; ended March 31, 2022) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.