

Quarterly Report

(54th Term 3rd Quarter)

Started April 1, 2020

Ended June 30, 2020

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

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[Document filed]	Quarterly Report
[Applicable law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	August 11, 2020
[Quarterly accounting period]	54th Term 3rd Quarter (from April 1, 2020 to June 30, 2020)
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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Term & Period	53rd Term 3rd quarter consolidated cumulative period	54th Term 3rd quarter consolidated cumulative period	53rd Term
Accounting period	Started October 1, 2018; ended June 30, 2019	Started October 1, 2019; Ended June 30, 2020	Started October 1, 2018; ended September 30, 2019
Net sales (millions of yen)	47,721	51,310	66,120
Ordinary income (millions of yen)	7,564	10,245	9,669
Quarterly (current) net income attributable to owners of parent (millions of yen)	5,171	6,792	6,721
Quarterly comprehensive income or comprehensive income (millions of yen)	4,242	6,298	4,082
Net assets (millions of yen)	73,037	75,873	73,121
Total assets (millions of yen)	88,922	93,622	96,989
Quarterly (current) net income per share (yen)	196.46	258.46	255.52
Quarterly (current) diluted net income per share (yen)	195.94	—	255.01
Equity ratio (%)	80.4	81.0	73.8

Term & Period	53rd Term 3rd quarter consolidated accounting period	54th Term 3rd quarter consolidated accounting period
Accounting period	Started April 1, 2019; ended June 30, 2019	Started April 1, 2020; ended June 30, 2020
Quarterly net income per share (yen)	65.00	79.13

- (Notes)
- Changes in key financial data, etc. of the Company are not stated here, as they are included in the Company's quarterly consolidated financial statements.
 - Net sales do not include consumption taxes (consumption tax and local consumption tax; hereinafter the same).
 - The Company introduced the Board Incentive Plan (BIP) Trust starting from the 2nd quarter consolidated accounting period of the 53rd Term, and recorded the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly (current) net income per share for the 54th Term 3rd quarter consolidated cumulative period and for the 53rd Term, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.
 - The quarterly diluted net income per share for the current 3rd quarter consolidated cumulative period is not stated as there were no dilutive shares.

2 [Description of Business]

There are no significant changes in the description of business operated by the TKC Group (TKC Corporation and its affiliated companies) for the current 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 in the current 3rd quarter consolidated cumulative period under review (October 1, 2019 - June 30, 2020) started out with a gradual growth trend, but resulted in extremely serious circumstances impacted by the global spread of the novel coronavirus disease (COVID-19). As the outlook for the containment of the disease is still unpredictable, future prospects of the domestic economy is unclear and long-term impacts on our customers, namely the accounting firms and their clients are anticipated. Under such situation, the Company has placed priority on the safety of our employees and customers, and promoted teleworking, staggered working hours, and customer support using the web meeting system.

Certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) worked to support small and medium sized companies (SMEs) whose businesses were worsened by the spread of COVID-19 in resolving financing situations and preparing applications for subsidies. The Accounting Firm Business Division made it a policy to focus all its effort on supporting TKC Members and their clients, and took actions including: (1) provision of the latest information to TKC Members; (2) offering of the COVID-19 Emergency Financial Measures Corner; (3) offering of a check function for clients requiring emergency support; (4) strengthening of on-demand training; and (5) provision of equipment necessary to work from home. Details are as indicated under “3. Business Activities and Operating Results of the Accounting Firm Business Division.”

The Local Governments Business Division provided to customers using mission-critical systems, support on systems for the administrative tasks related to the application procedure for Special Cash Payment of 100,000 yen per person that the Japanese Government decided to make in response to the spread of COVID-19.

In addition, the Division received orders and conducted the change-over of systems for orders from new customers won during the previous fiscal year, as well as system revisions, etc. in response to the free preschool education & nursing subsidy program.

As a result of these activities, the operating results for the current 3rd quarter consolidated cumulative period (hereinafter, “the current 3rd quarter”) of the TKC Group recorded a net sales of 51,310 million yen (increased 7.5% year-on-year), operating income of 9,977 million yen (increased 37.1% year-on-year), ordinary income of 10,245 million yen (increased 35.4% year-on-year), and quarterly net income attributable to owners of parent of 6,792 million yen (increased 31.3% year-on-year).

Net sales for the current 3rd quarter by business division are shown below.

1. Business results of the Group for the 3rd quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD were 34,917 million yen (increased 4.5% year-on-year); operating income was 8,649 million yen (increased 22.0% year-on-year). Breakdown of sales is as follows:

- (i) Sales from computer services increased by 4.2% year-on-year. This was attributable to the following factors: that amid the spread of COVID-19, TKC Members were able to continue the financial processing in order to support clients with their financing situations and application for subsidies; that the number of customers of the FX4 Cloud Integrated Accounting Information System for mid-size companies increased; and that, in light of the rapid increase in the need to work from home, the number of customers increased of the OMS Mobile and TKC Cyber Security Services, which allow users to access the TKC systems from home while maintaining a highly secure environment.
- (ii) Software sales increased by 4.1% year-on-year. This is the result of increase in the number of users of financial accounting systems that meet the requirements of the Electronic Books Maintenance Act of Japan as well as steady increase 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 more than 100 million yen starting April 1, 2020.
- (iii) Hardware sales increased by 27.7% year-on-year. This was caused by the continuing increase in demands for PC replacements in response to the termination of Windows 7 support by Microsoft in January 2020, and the increase in demands for notebook PCs equipped with a web camera as a result of increase in the number of accounting firms that encourage teleworking.

The improvement in operating income year-on-year was a result of decrease in travel expenses due to enforcement of teleworking impacted by COVID-19 and decrease in costs to host seminars by using webinars for its marketing activities.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD were 13,763 million yen (increased 21.6% year-on-year); operating income was 1,104 million yen (increased 1,235 million yen year-on-year). The major improvement in operating income year-on-year was due to increase in software sales from system revision works in response to the free preschool education & nursing subsidy program. Breakdown of sales is as follows:

- (i) Sales from computer services increased by 18.0% year-on-year. This was partly driven by increase in sales from data center usage fees for the use of TASK Cloud Local Taxes Electronic Filing Support Service in response to the launch of the common tax payment system for local taxes.
- (ii) Software sales increased by 49.9% year-on-year. This was due to increase in sales from system revisions in response to the free preschool education & nursing subsidy program, as stated above.

Meanwhile, as emergency economic policy to respond to the spread of COVID-19, the Japanese Government established the Special Cash Payment program to pay 100,000 yen per person, and municipalities were mandated to carry out the administrative tasks related to applications from and payments for their residents. The Company provided customers using our mission-critical system with emergency support on related systems, and offered as outsourcing service a full special cash payment application document package including explanation material and return envelopes, thereby contributing to early cash payments to 1.52 million households by 112 agencies mandated to carry out the administrative tasks.

To customers using our mission-critical system, the Company gave discounts equivalent to the differences of sales and actual costs incurred for system revisions and application form printing as relief money in an aim to help, for example, prevent the spread of COVID-19 in local communities. As such, there was little impact on the business results from the support for response to the Special Cash Payment program.

- (iii) Sales from consulting services decreased 0.6% year-on-year. This was attributable to decrease in revenue from services such as equipment installation as a result of decrease in hardware sales, despite increased sales related to the change-over and implementation of mission-critical systems for orders from new customer agencies won during the previous fiscal year.
- (iv) Hardware sales decreased by 21.4% year-on-year. This was due to the absence of the renewal of Registration Network System-related devices during this quarter, for which orders concentrated during the 3rd quarter in the previous fiscal year.

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

Net sales of the Printing BD were 2,629 million yen (decreased 11.5% year-on-year); operating income was 229 million yen (decreased 27.2% year-on-year). Breakdown of sales is as follows:

- (i) Sales of products related to data printing service (DPS) decreased by 2.4% year-on-year. While orders for notice-related services from municipalities and other authorities increased, orders for direct mail and other productions from private enterprises decreased significantly due to impacts of COVID-19.
- (ii) Sales of printing of commercial arts (catalogs, flyers, books, etc.) decreased by 27.2% year-on-year as a result of decrease in orders for booklets, flyers, books, etc. related to events, etc. that were canceled or postponed due to impacts of COVID-19.

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

(1) Prevention of novel coronavirus infection and actions for business continuity

In light of the spread of COVID-19 and the anticipated long-term impacts, the Company has adopted preventive measures against the infectious disease within the Company, and in addition, provides the following initiatives to provide information to and support the business continuity of our clients, namely the accounting firms and their clients, and local governments.

- (i) To enable customers to use with no worries our cloud services, business form printing services, and help desk services, we strengthen our business continuity measures (such as sterilizing door knobs, handrails, etc. twice a day, prohibiting the entry of outside personnel at important offices, developing the infrastructure for remote operation in case of an outbreak of COVID-19, and distributing the help desk functions to multiple sites).
- (ii) As measures to prevent infection within the Company, we enforced the measurement of temperature every morning, installed protective panels, sterilized mats, and sanitizers, distributed masks, procured equipment for teleworking, etc.

(2) CSR activities in the coronavirus-related confusion

The Company engaged in the following initiatives to prevent the collapse of the medical system and to support students, etc. in economic hardship.

- (i) As relief money, the Company donated 300 million yen, and Masaharu Iizuka, Chairman Emeritus, and Mrs. Runako Iizuka, wife of the founder of the Company, each donated 100 million yen as individuals to Tochigi prefecture to be used to prevent the collapse of the medical system due to coronavirus infections.
- (ii) The Company also donated a total of 169 million yen as relief money to our client agencies (130 municipalities).

- (iii) To provide support to students studying online at Utsunomiya University, the Company donated 75 notebook PCs, and Masaharu Iizuka, Chairman Emeritus of the Company, personally donated 10 million yen to the University for the purpose of supporting students facing economic hardship.

(3) Acquisition of patent pertaining to the Operation Checklist in the eCA-DRIVER consolidated accounting system

On June 11, 2020, the Company acquired a patent for the function to enable visual confirmation of whether the system processing was performed in the correct order and in an appropriate manner, which is in the Operation Checklist incorporated in the eCA-DRIVER consolidated accounting system. (Patent No. 6715886)

Expansion into large-scale enterprise market, including this system, is as described below.

3. Business Activities and Operating Results of the Accounting Firm Business Division

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms) and works under close ties with the TKC National Federation, which consists of 11,400 certified public tax accountants and certified public accountants (as of June 30, 2020) that are customers of TKC.

TKCNF was established in 1971 and is engaged in various activities in an aim to realize the following six business objectives:

- 1) Realize tax justice;
- 2) Conduct tax consultant business completely;
- 3) Support SMEs for their prosperity and success;
- 4) Enhance managerial infrastructure of TKC Member firms;
- 5) Make full use of TKC systems;
- 6) Promote mutual enlightenment, support and friendship.

(Note) For more information on the TKC National Federation, see the booklet "All About TKC National Federation" or visit the TKC Group website (<http://www.tkc.jp/>).

(1) Activities of the TKC National Federation ("TKCNF")

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]

- (i) Promote Shomen-tempu (attachment of tax audit reports) by the TKC methods (FY2020 year-end target: Corporate Shomen-tempu by 144,000 companies)
- (ii) Promote TKC Monitoring Information Service (FY2020 year-end target: 140,000 companies, 245,000 cases)
- (iii) Promote self-accounting practice by the TKC methods (FY2020 year-end target: 285,000 companies)

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

- (i) Understand and practice the Standards of Conduct for TKC Accountants
- (ii) Increase the numbers of Field Auditors and Assistant Field Auditors
- (iii) Enhance the managerial advisory services as a Certified Support Agency

TKCNF sent out messages to TKC Members: "Now is the time to exert the true values as professional accountants!" "Tax accountants should be an 'empathetic counselor' for SMEs during this crisis." While continuing to engage in the activities outlined above, TKCNF was committed to supporting SMEs whose businesses were worsened by the spread of COVID-19 in resolving cash flow situations and preparing applications for subsidies.

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

- (i) Support of SMEs affected by the spread of the novel coronavirus infections

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

1) Provision of the latest information to TKC Members

To accurately and quickly convey information on SME support policies released by the national government and SME support organizations to TKC Members, the Company provided the latest information on a daily basis on the exclusive Intranet (ProFIT) for TKC Members. We began this activity on February 25, and posted 152 entries as of the end of the current 3rd quarter.

2) Offering of the COVID-19 Emergency Financial Measures Corner

The Company developed a special website where TKC Members can check through their website SME support policies offered by the national, prefectural, and municipal governments and financial institutions under the categories: Financing, Subsidies, Employment, and Taxation. Through this site, we established a system to send out information widely across clients of TKC Members and other SMEs. The website has 8,469 entries on support policies as of the end of the current 3rd quarter.

3) Offering 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 for 19 items of various emergency economic policies such as the subsidy program for sustaining businesses, employment adjustment subsidy, and rent support benefit, special loans by government-affiliated financial institutions, and temporary loan under the mutual aid system. This function also features automatic generation of the Application for Decrease in Sales Affected by COVID-19 which is required in order to apply for the Special Loans for Coronavirus offered by the Japan Finance Corporation. With this, we established a system to enable TKC Member firms to provide to their clients advice on optimal financing and to file relevant applications quickly.

4) Strengthening of on-demand training

The Company provided on-demand training on specific application procedures for the above-mentioned SME support policies and extensions of tax returns/tax payments, and on accounting and tax practices upon receiving said benefits, and also encouraged viewing the contents.

5) Provision of equipment necessary to work from home

To enable TKC Members and their staff to work from home in complete compliance with “The Services of Certified Public Tax Accountants and Teleworking (Working from Home) —Measures to Prevent the Novel Coronavirus Infection” published by the Japan Federation of Certified Public Tax Accountants' Associations on April 15, the Company provided communication equipment such as web meeting systems and microphone headsets for users to access their office from home and to use the TKC systems in a highly secured environment.

(ii) Sales activities to achieve Strategic Targets 2020

Continuing on from the 2nd quarter, the Company operates 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 Member firms, upon request by the management of their clients, provide to financial institutions such information as monthly trial balance sheets, annual financial statements and tax returns prepared by them after monthly field audits and monthly settlements. Monthly trial balance sheets will be made available immediately upon completion of the monthly settlement, and annual 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, we 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 445 financial institutions including all local banks throughout Japan (64 institutions) as of June 30, 2020. Also, over 210,000 companies provided their financial statements to financial institutions as of June 30, 2020.

We have also seen cases, for example, where SMEs were able to obtain financing quickly by utilizing the TKC Monitoring Information Service for examination of loans in response to the current increasing impacts of the COVID-19 pandemic.

This could be seen as evidence that financial institutions consider financial statements prepared by TKC Members to be highly reliable.

In addition, the Ministry of Economy, Trade and Industry established a program to enable financial institutions to offer interest-free, collateral-free loans in order to strengthen financial support to SMEs in response to the increasing impacts of COVID-19 pandemic. Many financial institutions provided emergency loans to SMEs under this program. These financial institutions are required to check the performance of borrowers and report to the credit guarantee association on a regular basis. That is why the service to provide monthly trial balance sheets under the TKC Monitoring Information Service is attracting attention. The Company provides support to enable TKC Members and financial institutions to promote this Service together.

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

TKC has incorporated the 365 Days Variable Income Statement, Fund Management, and other strategic functions in the FX series to assist the strategic decision-making by the management of clients. In addition, in response to the advancement of ICT in recent years, the Company provides functions that enable management of clients to check its latest business results from a smart phone any time and any place (Smart Business Results Verification Functions). In order for management of clients to utilize these functions, the accounting staff need to enter the accounting transaction data in a timely and efficient manner. To support these tasks, the Company develops and provides the Bank Credit Data Receiving Functions that enable users to receive bank deposit transaction data through Internet banking and generate journal entries automatically. With these functions, management of clients can check the business results, balance of funds, and schedules of payment and receipts of their company anytime and anywhere.

During the current 3rd quarter under review, we provided support on the use of FX Series for management of clients who were concerned about the impacts of COVID-19 on their businesses results.

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

Last year, the Company became the first among its competitors to acquire the certification under the Electronic Books Software Legal Compliance Certification System by Japan Image and Information Management Association (JIIMA) for its FX series and other systems. Through the promotion of the certified FX series, etc., we support complete compliance with the Electronic Books Maintenance Act of Japan.

4) Soliciting new members (promotion of joining TKCNF)

TKCNF is engaged in a project to increase TKC membership to over 10,000 firms by the end of September 2021. The Company is working closely with the New Members Service Committee of TKCNF and other organizations in soliciting new members to achieve this goal.

During the 3rd quarter under review, we were unable to visit potential accounting firms that we intended to solicit due to the coronavirus-related confusion, so the Company held on-demand seminars and promoted joining TKCNF by introducing practices to support clients' cash flow situations and case studies on teleworking of accounting firms.

As a result of these activities, the number of TKC Members totaled approximately 9,700 accounting firms and 11,400 accountants as of June 30, 2020. The difference in numbers of firms and accountants are because some firms have multiple accountants who are members.

(3) 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)), an accounting standard 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 develop training materials and work in 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.

(4) 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.

As systems to supplement these activities, the Company provide the TKC Consolidated Group Solution package (which includes: the eCA-DRIVER consolidated accounting system, the eConsoliTax consolidated tax payment system, the eTaxEffect tax effect accounting system, the ASP1000R electronic tax filing system for corporations, the FX5 integrated accounting information system, the e-TAX series electronic tax filing system, the FAManager non-current asset management system, the TDS TKC documented evidence storage service, the OBMonitor overseas business monitoring system, etc.).

Starting April 2020, large enterprises with a capital of more than 100 million yen 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. According to statistics of the National Tax Agency, electronic filing of corporate income tax was conducted by 2,268,473 companies in FY2018. While the percentage of companies using the electronic filing system was 84.3%, only 66.1% of large sized companies uses electronic tax filings. This means that many of the large enterprises to which electronic filing is mandated will be using the electronic filing system for the first time. To enable these companies to switch smoothly to the mandated electronic filing system, the Company released the Guidebook on Complying with Mandatory Electronic Filing on the Company's website and held on-demand seminars, etc. in collaboration with TKCNF's Medium- and Large-sized Companies Support Council (1,431 members as of June 30, 2020). We also entered into alliance agreements with four ERP vendors, working on the development of systems linking to financial statements data. As a result, the number of users of ASP1000R electronic tax filing system for corporations reached 3,170 companies as of June 30, 2020.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 4,000 corporate groups as of June 30, 2020. Our tax filing systems are adopted by 86% of the 100 largest Japanese listed companies by sales amount. The market shares among Japanese listed companies reached 32%.

(5) Expansion of markets for legal information database services

The LEX/DB Internet legal information database, developed originally by the Company, maintains an archive of over 309,000 judicial precedents, decisions, etc. as of June 30, 2020, covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently published, being the largest database of its kind in Japan.

The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 956,000 bibliographic information references with links to 60 of the legal information databases operated by 18 specialized legal publishers, etc. (including Gyosei Corporation, Nippon Hyoron-Sha Co., Ltd., Yuhikaku Publishing Co., Ltd., Chuokeizai-Sha, Inc., Hanrei Times Co., Ltd., and Japan Institute of Business Law) with total accessible number of information now exceeding 2,640,000 items.

(i) Increase of user base of TKC Law Library

Many customers were forced to work online as a result of transitioning to teleworking due to COVID-19. This has consequently caused users who are unable to conduct research at the data room or library to reconsider the advantages of TKC Law Library that covers laws and regulations, judicial precedents, bibliographic information references and also contents of major specialized law magazines, which could be accessed any time, from any place. As a result, the numbers of user IDs and contracts to access additional contents are growing. In the current 3rd quarter under review, as a result of on-line promotional activities through the website, SNS, etc. towards TKC Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments, the number of users exceeded 52,000 IDs and the Library is used by over 23,000 institutions as of June 30, 2020.

(ii) Progress in the academic market

Due to the impacts of COVID-19, universities are prohibiting an entrance to their campuses and almost all of them are conducting online classes. 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 during the COVID-19 confusion. Since April, the Company conducted web meetings with each university as needed, responded to requests for additional access rights to our basic services, and provided support in the development of online learning environments tailored to meet the situation of each university.

In addition, we are receiving more positive responses for our study tools for civil service examination and practical business law examination which are mainly offered to the faculty of law of universities. As examinations are postponed and learning environment incomplete, students must rely only on online study tools that contain well-developed learning materials. Such students are therefore using our systems more frequently. As of June 30, 2020, the Company has ongoing contracts with 24 universities, and is focusing in particular on supporting senior students to respond to the postponed civil service examinations

by allowing extended use of the systems. In addition, we are encouraging monitor users to expand the use in the next fiscal year.

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 Japanese government is accelerating its actions to promote the implementation of cloud systems, setting a target to have approximately 1,600 agencies using cloud systems (of which, approximately 1,100 agencies to be users of local government cloud systems) by the end of FY2023.

The Company provides TKC Government Cloud Service to municipalities (mainly for cities, wards, towns and villages). This Cloud Service 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.

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers that allows the shared use of cloud across Japan, attracting attention as a local government cloud system promoted by the Ministry of Internal Affairs and Communications and, as to mission-critical systems, adopted by nine groups nationwide for shared use. We conducted aggressive promotional activities together with the seven partner companies across Japan with whom we have on-going alliance partner agreements, and our mission-critical systems are adopted by over 150 agencies nationwide as of June 30, 2020.

In the current 3rd quarter under review, we supported agencies that placed new orders having mission-critical operation systems that are scheduled for a full-scale launch after June 2020 in enabling smooth system transition.

Also for the Welfare Consultation Support System, we enhanced the functionalities of various systems through the provision of functions to support "streamlining of record preparation" and "smooth sharing of information between relevant parties" based on the F-SOAIP lifestyle support recording method (*) that began in April 2020.

In addition the Company provided emergency support on related systems for the Special Cash Payment program conducted as emergency economic policy, and offered as outsourcing service a full special cash payment application document package including explanatory materials and return envelopes, thereby contributing to early cash payments to 1.52 million households by 112 agencies mandated to carry out the administrative tasks.

* About lifestyle support recording method F-SOAIP

F-SOAIP is a progress recording method developed for the purpose of creating a common language among the areas of welfare, nursing care, and health care. It can standardize terms/expressions to be used in recording necessary information in itemized format, which is drawing attention because it allows users to record the progress of support in an efficient and accurate manner and to facilitate sharing of information among relevant parties.

(2) Response to digitalization of administrative services

The Company positions its TASK Cloud Convenience Store Certificate Issuing System and the TASK Cloud Easy Counter Service System that uses the features of the former system as "administrative service digitization support solutions," and works to enhance functionalities and to expand product offerings.

For the Convenience Store Certificate Issuing System, continuing on from the 2nd quarter, the Company supported the nine municipalities of the Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (Administrator Yuji Yukawa, Mayor of Yamakita Town) in preparation for the sequential launch and smooth operation of the Convenience Store Certificate Issuing Service using the Company's systems.

For the Easy Counter Service System, we also participated in the Demonstration Experiment for the Improvement of Counter Services Using ICT (Smart Counter Services) conducted by Nara City in Nara Prefecture, and engaged in the research and development of a new smart counter service system.

In addition, we began the offering of the TASK Cloud My Number Card Issuance Reservation and Management System which has been under development, and launched the operation of our first user (Goka-machi, Ibaraki Prefecture).

Moreover, as a result of functional enhancements of various systems and aggressive promotional activities, the Convenience Store Certificate Issuing System is adopted by over 120 agencies nationwide including government ordinance-designated cities such as Kobe and Kitakyushu, and the Easy Counter Service System is adopted by approximately 10 agencies as of June 30, 2020.

(3) Response to digitization of local tax administrative procedures

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 nationwide with whom we have on-going alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is adopted by more than 770 agencies which account for more than 40% of all prefectures and local municipalities as of June 30, 2020.

In the current 3rd quarter, we engaged in the enhancement and expansion of functionalities of related systems and active promotional activities for data connection services.

(4) Response to standardized local public accounting

Municipalities are required to adopt the system of accrual basis accounting (double entry bookkeeping) to replace the current cash basis accounting (single entry bookkeeping), and to prepare and disclose their financial documents as well as to utilize such data for administrative operations.

In order to support this, the Company provides the TASK Cloud Public Accounting System, which is compatible with the daily journalizing method encouraged by the Japanese government, and its related systems TASK Cloud Non-current Asset Management System and TASK Cloud Consolidated Financial Document Preparing System.

In the current 3rd quarter, the Company newly received orders from a lot of agencies including ones (7 cities, 26 towns, 4 villages, and 14 partial-affairs associations) that are members of the Kagoshima Prefecture Municipal Association, Kumamoto Prefecture Municipal Association, Nagasaki Prefecture Municipal Administration Promotion Council, and Kyoto Prefecture Municipal Information Promotion Council, and provided to them support for the smooth system launch and operation. We also engaged in the development and enhancement of various functions to support the “visualization” and “utilization” of local public accounting information as well as in aggressive promotional activities. As a result, our public accounting systems are adopted by more than 260 agencies as of June 30, 2020.

(5) Research and development of next-generation products

Following the Law for Partial Revision to the Act on Use of Information and Communications Technology in Administrative Procedure, etc. for the Improvement of Convenience of Related Parties Engaged in Administrative Procedure Using Information and Communications Technology and for the Promotion of Simplifying and Streamlining Administrative Operations (Digital Administrative Procedures Act, enacted in May 2019) which allows all administrative procedures in general to be conducted on-line, some procedures that local governments should prioritize in putting on-line were indicated under the Digital Government Implementation Plan that the Japanese cabinet approved in December 2019. On top of this, with the recent spread of COVID-19, municipalities are accelerating their efforts to digitize the administrative services.

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

During the 3rd quarter under review, we worked on gathering and communicating information related to “the digitalization of administrative services,” as well as conducting surveys, research and development of next generation solutions which will support the “new normal” such as TASK Cloud Smart Application System (to begin offering in August 2020).

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

The Group’s Printing BD operates with the main focus on data print services (DPS) and business form printing.

In the DPS area, sales dropped by 2.4% year-on-year, as while orders for notice-related services from municipalities and other authorities increased, orders for direct mail and other productions from private enterprises decreased significantly due to impacts of COVID-19.

In the area of business form printing, sales decreased by 4.1% year-on-year due to decline in demands for business forms as well as ongoing low consumption levels impacted by COVID-19.

In the area of printing of commercial arts (catalogs, flyers, booklets, books, etc.), sales decreased 27.2% year-on-year due to decrease in demands for paper media with the advancement of browsing of electronic data, etc., and also due to large decrease in orders for booklets, flyers, books, etc. because of the cancellation/postponement of events, etc. impacted by COVID-19.

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 93,622 million yen, a 3,367 million yen decrease compared to 96,989 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 34,123 million yen, a 6,950 million yen decrease compared to 41,073 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to 5,002 million yen decrease in cash and deposits, 1,521 million yen decrease in notes and accounts receivable, and 348 million yen decrease in work in progress.

(2) Non-current assets

Non-current assets as of the end of the current 3rd quarter consolidated accounting period amounted to 59,498 million yen, a 3,582 million yen increase compared to 55,915 million yen as of the end of the previous consolidated fiscal year.

This was mainly due to a 4,100 million yen increase in long-term deposits, 623 million yen increase in investment securities, and 130 million yen increase in loans receivables despite a 543 million yen decrease in long-term deferred tax assets, 280 million yen decrease in intangible assets, 271 million yen decrease in buildings and structures (net amount), and 189 million yen decrease in tools, furniture & fixtures included in Other (net amount).

2. Liabilities

Total liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 17,748 million yen, a 6,119 million yen decrease compared to 23,868 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 11,335 million yen, a 4,942 million yen decrease compared to 16,278 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to 2123 million yen decrease in provisions for bonuses, 1,783 million yen decrease in accounts payable-trade, 1,378 million yen decrease in accounts payable-other, and 1,362 million yen decrease in income taxes payable, despite a 1,404 million yen increase in suspense receipt of consumption taxes and 204 million yen increase in electronically recorded obligations-operating.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 6,413 million yen, a 1,177 million yen decrease compared to 7,590 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 1,069 million yen in retirement benefit liabilities.

3. Net assets

Total net assets as of the end of the current 3rd quarter consolidated accounting period amounted to 75,873 million yen, a 2,752 million yen increase compared to 73,121 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 3,880 million yen increase in retained earnings and 877 million yen increase in capital surplus, despite a 1,504 million yen decrease in non-controlling interests and 600 million yen decrease in valuation difference on available-for-sale securities.

Equity ratio as of the end of the current 3rd quarter consolidated accounting period was 81.0%, a 7.2 percentage point increase compared to the ratio of 73.8% 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

Research and development expenses spent by the TKC Group during the current 3rd quarter consolidated cumulative period were 1 million yen.

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	60,000,000
Total	60,000,000

(ii) [Issued shares]

Class	Number of shares issued as of the end of 3rd quarter accounting period (shares) (June 30, 2020)	Number of shares issued as of the filing date (shares) (August 11, 2020)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	26,731,033	26,731,033	First Section of the Tokyo Stock Exchange	Number of shares consisting a unit: 100 shares
Total	26,731,033	26,731,033	—	—

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

None to be disclosed.

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

None to be disclosed.

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

None to be disclosed.

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

Date	Increase or decrease in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase or decrease in capital stock (millions of yen)	Balance of capital stock (millions of yen)	Increase or decrease in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
April 1, 2020 - June 30, 2020	—	26,731,033	—	5,700	—	5,409

(5) [Major shareholders]

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

(6) [Status of 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, 2020) 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, 2020

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 263,100	—	—
Shares with full voting right (others)	Common stock 26,396,900	263,969	—
Shares less than one share unit	Common stock 71,033	—	—
Total number of shares issued	26,731,033	—	—
Total voting rights held by all shareholders	—	263,969	—

(Note) Shares with full voting right (others) includes 600 shares (6 units of voting rights) registered in the name of Japan Securities Depository Center, Inc., and 189,700 shares (1,897 units of voting rights) owned by the BIP Trust.

(ii) [Treasury stock, etc.]

As of March 31, 2020

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under other names (shares)	Total shares held (shares)	Percentage of shares held to the total number of issued shares (%)
TKC Corporation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	263,100	—	263,100	0.98
Total	—	263,100	—	263,100	0.98

(Note) In addition to the above, the 189,700 shares owned by the BIP Trust are recorded as treasury stocks in the quarterly consolidated financial statements.

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, 2020 to June 30, 2020) and the 3rd quarter consolidated cumulative period (from October 1, 2019 to June 30, 2020) have been audited by Ernst & Young ShinNihon LLC pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

1 [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2019)	Current 3rd quarter consolidated accounting period (June 30, 2020)
Assets		
Current assets		
Cash and deposits	29,810	24,807
Notes and accounts receivable–trade	8,755	7,233
Inventories	1,090	768
Other	1,459	1,351
Allowance for doubtful accounts	(41)	(37)
Total current assets	41,073	34,123
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	8,404	8,133
Land	6,892	6,892
Other (net amount)	2,666	2,470
Total property, plant and equipment	17,963	17,496
Intangible assets	3,290	3,010
Investments and other assets		
Investment securities	15,527	16,150
Long-term deposits	9,500	13,600
Guarantee deposits	1,339	1,418
Other	8,294	7,822
Total investments and other assets	34,661	38,991
Total non-current assets	55,915	59,498
Total assets	96,989	93,622
Liabilities		
Current liabilities		
Accounts payable–trade	3,602	1,818
Electronically recorded obligations–operating	916	1,120
Short-term loans payable	142	212
Accounts payable–other	3,924	2,546
Income taxes payable	2,450	1,087
Provisions for bonuses	3,600	1,476
Other	1,640	3,072
Total current liabilities	16,278	11,335
Non-current liabilities		
Long-term loans payable	438	348
Retirement benefit liabilities	4,764	3,695
Provisions for stocks payment	562	601
Other	1,825	1,768
Total non-current liabilities	7,590	6,413
Total liabilities	23,868	17,748

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2019)	Current 3rd quarter consolidated accounting period (June 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,711	6,588
Retained earnings	63,623	67,504
Treasury stock	(1,630)	(1,659)
Total shareholders' equity	73,404	78,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(83)	(684)
Accumulated remeasurements of retirement benefits	(1,704)	(1,575)
Total accumulated other comprehensive income	(1,787)	(2,259)
Non-controlling interests	1,504	—
Total net assets	73,121	75,873
Total liabilities and net assets	96,989	93,622

(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, 2018; ended June 30, 2019)	Current 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)
Net sales	47,721	51,310
Cost of sales	16,187	17,222
Gross profit	31,534	34,088
Selling, general and administrative expenses	24,254	24,110
Operating income	7,280	9,977
Non-operating income		
Interest income	23	26
Dividends income	135	146
Insurance dividends income	6	3
Land and house rent received	43	37
Equity in earnings of affiliates	18	—
Other	58	55
Total non-operating income	286	269
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	2	1
Ordinary income	7,564	10,245
Extraordinary income		
Gains on sales of non-current assets	1	1
Gain on reversal of subscription rights to shares	274	—
Other	8	—
Total extraordinary income	283	1
Extraordinary losses		
Loss on sale of non-current assets	10	—
Loss on retirement of non-current assets	5	21
Other	0	—
Total extraordinary losses	16	21
Quarterly net income before taxes and adjustments	7,832	10,225
Income taxes—current	2,112	2,729
Income taxes—deferred	450	723
Total income taxes	2,563	3,453
Quarterly net income	5,269	6,771
Quarterly net profit (loss) attributable to non-controlling interests	97	(20)
Quarterly profit (loss) attributable to owners of parent	5,171	6,792

[Quarterly consolidated statements of comprehensive income]

[3rd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2018; ended June 30, 2019)	Current 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)
Quarterly net income	5,269	6,771
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,026)	(602)
Remeasurements of retirement benefits	—	128
Share of other comprehensive income of entities accounted for using equity method	(0)	—
Total other comprehensive income	(1,026)	(473)
Quarterly comprehensive income	4,242	6,298
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	4,145	6,320
Quarterly comprehensive income attributable to non- controlling interests	96	(22)

[Notes to Financial Statements]

(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 who do not concurrently serve as an executive officer) 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 officers 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 750 million yen for 189,700 shares as of the end of this current 3rd quarter consolidated accounting period.

(Implementation of Treatment 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 some of its domestic 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, 2018; ended June 30, 2019)	Current 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)
Depreciation	2,280 million yen	2,286 million yen

(Notes to shareholders' equity, etc.)

I. Previous 3rd quarter consolidated fiscal year (Started October 1, 2018; ended June 30, 2019)

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 21, 2018 Ordinary General Meeting of Shareholders	Common stock	1,450	55	September 30, 2018	December 25, 2018	Retained earnings
May 8, 2019 Meeting of the Board of Directors	Common stock	1,453	55	March 31, 2019	June 10, 2019	Retained earnings

(Note) The total amount of cash dividends determined by resolution of the Board of Directors on May 8, 2019 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.

II. Current 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

(Segment information, etc.)

[Segment information]

I. Previous 3rd quarter consolidated cumulative period (Started October 1, 2018; ended June 30, 2019)

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

(Unit: millions of yen)

	Reportable segment				Adjustments (Note 1)	Amounts in quarterly consolidated statements of income (Note 2)
	Accounting Firm BD	Local Governmen ts BD	Printing BD	Total		
Net sales						
(1) Sales to outside customers	33,430	11,322	2,969	47,721	—	47,721
(2) Inter-segment sales or transfers	8	0	1,613	1,622	(1,622)	—
Total	33,438	11,322	4,583	49,343	(1,622)	47,721
Segment profit (loss)	7,088	(130)	315	7,273	6	7,280

(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.

II. Current 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, etc.

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

(Earnings per share information)

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

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2018; ended June 30, 2019)	Current 3rd quarter consolidated cumulative period (Started October 1, 2019; ended June 30, 2020)
(1) Quarterly net income per share	196.46 yen	258.46 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	5,171	6,792
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	5,171	6,792
Average number of common stocks outstanding (hundreds of shares)	263,221	262,799
(2) Quarterly diluted net income per share	195.94 yen	—
(Basis for calculation)		
Adjustments to quarterly net income attributable to owners of parent (millions of yen)	—	—
Number of common stocks increased (hundreds of shares)	710	—
Outline of the diluted shares not included in the calculation of quarterly diluted net income per share for not having dilutive effect, but having significant changes since the end of the previous consolidated fiscal year	—	—

- (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 number of said treasury stocks outstanding deducted for the calculation of quarterly net income per share was 190,193 shares for the current 3rd quarter consolidated cumulative period.
2. The quarterly diluted net income per share for the current 3rd quarter consolidated cumulative period is not stated as there were no dilutive shares.

(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 1, 2020, stated as follows.

- (a) Total amount of cash dividends to be paid as interim dividends 1,455 million yen
- (b) Dividend per share 55.00 yen
- (c) Effective date for payment claim and commencement date for payment June 15, 2020

(Note) Dividends are payable to the shareholders listed or recorded on the Register of Shareholders as of March 31, 2020

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

None to be disclosed.

[Quarterly Review Report of Independent Auditors]

August 11, 2020

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited
Liability Partner
Executing Partner

Certified Public
Accountant

Kanji Tako (seal)

Designated Limited
Liability Partner
Executing Partner

Certified Public
Accountant

Toru Iizuka (seal)

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, 2019 and ending September 30, 2020) for the 3rd quarter consolidated accounting period (from April 1, 2020 to June 30, 2020) and for the 3rd quarter consolidated cumulative period (from October 1, 2019 to June 30, 2020) stated in [Financial Information], namely, the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, and notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an independent conclusion regarding the quarterly consolidated financial statements based on our quarterly review. We conducted our quarterly review in accordance with quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries, performing analytical procedures and other quarterly review procedures of the management and persons responsible for financial and accounting matters. The quarterly review procedure is a limited procedure compared to the audit procedure of annual financial statements performed in accordance with auditing standards generally accepted in Japan.

We believe that we have obtained evidences to support the basis for our conclusion.

Auditor's Conclusion

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, 2020 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.

Interest

Our firm and the executing partners have no interest in the Company for which disclosure is required under 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 audit 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 11, 2020
[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]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer
[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 Hitoshi Iwata, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report of the Company for the 3rd quarter of the 54th term (started April 1, 2020; ended June 30, 2020) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.