

Quarterly Report

(57th Term 3rd Quarter)

(Started April 1, 2023;
ended June 30, 2023)

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

Table of Contents

Page

[Front Cover]	
Section 1 [Information on the Company]	4
Part 1 [Overview of the Company]	4
1 [Key Financial Data]	4
2 [Description of Business]	4
Part 2 [Business Overview]	5
1 [Risk Factors]	5
2 [Management Analysis of Consolidated Financial Conditions, Operating Results, and Cash Flows]	5
3 [Material Agreements, etc.]	14
Part 3 [Information on the Company]	15
1 [Information on the Company's Stock]	15
(1) [Total number of shares, etc.]	15
(2) [Share subscription rights, etc.]	15
(3) [Exercise of bonds with share subscription rights containing a clause for exercise price adjustment, etc.]	15
(4) [Changes in total number of issued shares, capital stock, etc.]	15
(5) [Major shareholders]	15
(6) [Status of voting rights]	16
2 [Officers]	16
Part 4 [Financial Information]	17
1 [Quarterly Consolidated Financial Statements]	18
(1) [Quarterly consolidated balance sheets]	18
(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]	20
[Quarterly consolidated statements of income]	20
[Quarterly consolidated statements of comprehensive income]	21
2 [Other]	27
Section 2 [Information on Guarantors, etc., of the Company]	28

[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		56th Term 3rd Quarter consolidated cumulative period	57th Term 3rd Quarter consolidated cumulative period	56th Term
Accounting period		Started October 1, 2021; ended June 30, 2022	Started October 1, 2022; ended June 30, 2023	Started October 1, 2021; ended September 30, 2022
Net sales	(millions of yen)	50,340	53,862	67,838
Ordinary income	(millions of yen)	11,941	13,622	13,677
Quarterly (current) net income attributable to owners of parent	(millions of yen)	8,125	9,755	9,317
Quarterly comprehensive income or comprehensive income	(millions of yen)	8,149	11,526	8,902
Net assets	(millions of yen)	86,573	94,699	87,325
Total assets	(millions of yen)	104,284	111,227	109,225
Quarterly (current) net income per share	(yen)	154.88	186.06	177.62
Quarterly (current) diluted net income per share	(yen)	—	—	—
Equity ratio	(%)	83.0	85.1	80.0

Term & Period		56th Term 3rd Quarter consolidated accounting period	57th Term 3rd Quarter consolidated accounting period
Accounting period		Started April 1, 2022; ended June 30, 2022	Started April 1, 2023; ended June 30, 2023
Quarterly net income per share	(yen)	44.04	69.04

(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.

- The Company maintains a Board Incentive Plan (BIP) Trust and records the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly (current) net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.
- The quarterly (current) diluted net income per share is not stated as there were no dilutive shares.

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. that arose 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

During the 3rd Quarter consolidated cumulative period under review (hereinafter the “current 3rd Quarter”), the Japanese economy continued to gradually recover as COVID-19 was downgraded to a Class 5 infectious disease, the government provided assistance, and economic and social activities returned to normal. On the other hand, countries across the world are turning to tight monetary policy, raw material prices are on the rise, and the repayment of zero/zero loans are making financing increasingly difficult for small- and medium-sized enterprises (SMEs), all of which indicate that the future of the economy remains uncertain.

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

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

The Local Governments Business Division supported client municipalities in smoothly handling the expansion of the tax items for the common local tax payment system, among others.

As a result of these activities, the operating results for the current 3rd Quarter of the consolidated Group comprising TKC Corporation and its six consolidated subsidiaries recorded net sales of 53,862 million yen (increased 7.0% year on year), operating income of 13,360 million yen (increased 14.6% year on year), ordinary income of 13,622 million yen (increased 14.1% year on year), and quarterly net income attributable to owners of parent of 9,755 million yen (increased 20.1% year on year).

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

1. Results of operation for the 3rd Quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD were 36,052 million yen (increased 6.3% year on year); operating income was 10,145 million yen (increased 8.2% year on year). Breakdown of key sales is as follows:

- (i) Sales from computer services increased by 3.9% year on year. This was due to an increase in the number of accounting firms adopting the use of the Office Management System (OMS Cloud) for Tax Accounting Firms, which offers centralized management of the operations of accounting firms, for the first time.
- (ii) Software sales increased by 7.8% year on year. This was attributable to an increase in clients that have adopted the use of the FX Cloud series for the first time to fully comply with the consumption tax invoicing system that will be launched in October 2023.
- (iii) Sales from consulting services increased by 7.1% year on year. This was due to strong sales of FX4 Cloud, an accounting system that caters to mid-size companies, and an increase in orders for startup support services.
- (iv) Hardware sales increased by 9.4% year on year. This was mainly due to the revised selling prices of hardware prompted by current rising prices and to funding under the FY2022 Subsidy Program for Introducing IT to Businesses for Productivity Improvement in Services, etc. (“Subsidies for Introduction of IT”), which also covers the purchase of hardware. It was also attributable to an increase in the number of clients that purchased new scanners in order to use the documentary proof storage feature that comes as a standard feature of the FX Cloud series in view of the expiration of safe harbor rules concerning electronic transaction data under the Act on Book and Record Keeping through Electronic Methods in January 2024.
- (v) Sales from supplies decreased by 2.6% year on year. While sales of office equipment that supports remote work and digitalization were strong, more clients of accounting firms are now transitioning to self-accounting and paperless operations, resulting in a decline in the demand for paper-based accounting supplies and printing-related consumables.
- (vi) The year-on-year increase in operating income was due to an increase in sales of software and computer services with higher profit margins.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD were 15,631 million yen (increased 12.2% year on year); operating income was 2,922 million yen (increased 52.8% year on year). Breakdown of key sales is as follows:

- (i) Sales from computer services increased by 3.9% year on year. This was due to the outsourced service to prepare COVID-19

vaccination tickets in the spring of 2023, and an increase in service fees owing to the expansion of the tax items for the common local tax payment system, among others, whereas the Company did not have the business to prepare entry tickets for the House of Representatives election that had been outsourced during the previous fiscal year.

- (ii) Software sales increased by 2.2% year on year. This was due to the software rental fee that had increased when new client organizations' mission-critical systems and public accounting systems, which had been outsourced to the Company by the previous fiscal year, went live.
- (iii) Sales from consulting services increased by 208.3% year on year. This was due to the support the Company provided in the introduction of systems to facilitate the one-stop service for completing moving in/out procedures, which was launched when the Basic Resident Register Act was partially amended, and in the introduction of systems for the expansion of the tax items for the common local tax payment system and systems for the payment of local taxes using standardized local tax QR codes. The Company also supported the introduction of the government-related digital services that were outsourced thereto as a new project.
- (iv) Hardware sales increased by 18.6% year on year. This was driven by the introduction of hardware associated with the renewal of devices for mission-critical systems as well as the introduction of network devices associated with the renewal of devices to ensure network resilience.
- (v) The increase in operating income year on year was mainly a result of an increase in sales from consulting services that were offered to a larger number of municipalities that begun to operate new systems.

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

Net sales of the Printing BD were 2,178 million yen (decreased 12.8% year-on-year); operating income was 283 million yen (decreased 23.7% year-on-year). Breakdown of key sales is as follows:

- (i) Sales of data printing service-related products decreased by 18.6% year on year.
This was because the current period lacked the needs for printing services for entry tickets for the House of Representatives election held in October 2021, and for the major project for which the Company received an order by tender during the previous fiscal year. A large order for direct-mail production received from a private company was also cancelled due to the customer's personal circumstances.
- (ii) Business form-related sales increased by 8.5% year on year. This was driven by an increase in slip printing orders received from client companies that the Company had newly acquired in the previous fiscal year.
- (iii) Sales related to the printing of commercial-use creative materials (catalogs, books, etc.) increased by 14.5% year on year.
This was due to orders for manuals explaining the consumption tax invoicing system as well as printing orders received from client companies for their anniversary activities. Orders for materials for seminars have also increased, as more and more in-person meetings are held.

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

(1) Announcement that the FX Cloud series is fully ready for the consumption tax invoicing system

On June 23, 2023, the Company launched the FX Cloud series, a line of financial accounting systems that is designed to fully cover the consumption tax invoicing system. The FX Cloud series combines accounting and sales management functions, enabling users to be fully ready for invoicing and accounting work that will change considerably from October 2023.

(2) Start of acceptance of requests for the use of Peppol invoices

With the start of the consumption tax invoicing system in October 2023, the Company will be switching over to Peppol invoices from invoices it issues on its own. To prepare for this change, the Company started to accept requests from accounting firms that are its major business partners and from their clients for the use of Peppol for receiving Peppol invoices in the end of June. The users who have submitted their requests to the Company will receive Peppol invoices the Company issues. When the users are accounting firms, they will also be able to use Peppol invoices to charge their clients.

(3) Start of the use of the AI chat service "TKC AI Assistant"

TKC has launched the internal use of TKC AI Assistant, the in-house AI chat service that TKC has developed based on an extensive language model from Azure OpenAI Service. The Company actively uses TKC AI Assistant not only for system development, but for internal administrative work and on-the-ground sales tasks in order to improve employee efficiency and productivity.

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

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: "Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms") and works in close collaboration with the TKC National Federation (TKCNF), which consists of 11,400 certified public tax accountants and certified public accountants (as of June 30, 2023) that are customers of TKC.

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

Activity policy of TKCNF and sales activities to achieve targets

(i) Activity policy of TKCNF

TKCNF has set a three-year activity policy starting from 2022: “TKC accountants taking on the challenge of the future—push through field auditing and support companies in achieving positive balance and proper filing!” It has also set the following three targets to achieve the vision elaborated in this policy.

a) Massively expand superior electronic books

Promotion of self-accounting by the TKC method

b) Become guardians of tax justice

Promotion of *shomen-tempu* (attachment of tax audit reports) by the TKC method

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

Promotion of field auditing and managerial advisory services

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

(ii) Initiatives aimed at fostering companies in good standing

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

- Self-accounting by the TKC method used to practice monthly settlements
- Practice of *shomen-tempu* (attachment of tax audit reports) in accordance with Article 33-2, paragraph (1) of the Certified Public Tax Accountants Act of Japan
- Compliance with “Chusho Kaikei Yoryo” (Guidelines for SME Accounting)
- Increase of marginal income for two consecutive fiscal years
- Equity ratio of 30% or greater
- Positive net income before taxes

Companies that satisfy these criteria are defined as “BAST good-standing companies” in the TKC Management Indicators (BAST), which contains the financial statement data of more than 250,000 companies.

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

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

TKC’s self-accounting system (FX series) includes features that support monthly settlements and the 365 Days Floating Income Statement, which supports decision-making by management. Unlike income statements for institutional accounting, the 365 Days Floating Income Statement allows users to review their operating results by classifying their costs into variable and fixed ones. Corporate managers using the FX series can keep track of the marginal profit (added value) in managing their business. The Company is engaged in activities that seek to raise awareness that the 365 Days Floating Income Statement is an indispensable tool for management. In April 2023, the documentary program “Strategic Management: A Documentary (Part 3)” featuring the growth of companies through rigorous monthly settlements and utilization of the 365 Days Floating Income Statement was broadcasted on BS11.

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

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

As a result of these activities, the FX series has been adopted by over 305,000 companies as of June 30, 2023. Through the implementation of the FX series, the Company will continue working to support SMEs in establishing a system for monthly settlements and achieving positive balance and proper filing.

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

Under the Revised Act on Book and Record Keeping through Electronic Methods effective from January 1, 2022, there will be a distinction among electronic books (i.e., electromagnetic records of national tax-related books): (1) “superior electronic

books” that contain the history of additions, deletions, and revisions made to the accounting data (traceable) (electronic books that satisfy the requirements of both Article 2 and Article 5 of the Ordinance for Enforcement of the revised Act); and (ii) “other electronic books” that are prepared using accounting software that does not keep records of such additions/deletions/revisions (electronic books that satisfy only the requirements of Article 2 of the Ordinance for Enforcement of the revised Act). This legal reform also negates the “power of evidence” of the books, and the acceptance of such accounting software may allow for the falsification of books. To address this issue, the Company is promoting the use of the FX series for the preparation of “superior electronic books” on a national level.

In addition, electronic retention of electronic transaction data will be mandated under the Revised Act on Book and Record Keeping through Electronic Methods. We will also continue to support the use of the documentary proof storage feature of the FX series so that all businesses can support electronic transactions.

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

To enable accounting firms to provide smooth support to their clients in adapting to the consumption tax invoicing system that will be launched on October 1, 2023, the Company is working to create seminar materials, provide explanatory materials, and plan other forms of support.

TKC systems are designed not just to issue invoices as required by the consumption tax invoicing system, but to perform processing that fully conforms to the Revised Consumption Tax Act, as stated in the “Three key points” below.

[Three key points]

- Whether a supplier is a qualified invoice issuer among business contacts is automatically identified by the name.

(There is no need to enter a 13-digit registration number for each supplier)

- The applicability of transitional measures or special provisions is automatically checked, and a list of journal entries that should be corrected is displayed.

(This allows the user to identify the entries to which transitional measures apply, along with entries to which transitional measures have been applied by mistake.)

- All forms are managed in one process, from accounting records to a consumption tax return.

(Full conformance to the principle-based treatment stated in Supplementary Provisions 22 (1) (i) and 23 (1) (i) of the 2018 order for amendment)

To present these key points, the Company held group workshops for TKC members titled “Workshop to Prepare for the Upcoming Invoicing System” starting from April 2023. The Company was privileged to host more than 5,000 firms and 17,000 participants in 200 venues across Japan. At these workshops, it communicated that TKC’s financial accounting systems are fully prepared to conform to the consumption tax invoicing system. Also at the Tax Information System Workshop that has been offered since June 2023, the Company communicated that the Corporate Financial Reporting System (TPS1000) available for use by TKC Members is all set to conform to the consumption tax invoicing system.

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

(vii) Promotion of TKC Monitoring Information Service

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

While promoting the TKC Monitoring Information Service, the Company communicates to financial institutions that the reliability of financial statements prepared by SMEs can be verified by the following three sets of documents:

1) Supporting documents submitted by TKC Members as stipulated under Article 33-2 of the Certified Public Tax Accountants Act of Japan;

2) Certificate of Bookkeeping Timeliness, with which TKC Corporation certifies the timeliness in the preparation of accounting books as required under Article 432 of the Companies Act of Japan and the correlation between financial statements and tax returns for the past three years; and

3) The Chusho Kaikei Yoryo (Guidelines for SME Accounting) checklist developed by the Japan Federation of Certified Public Tax Accountants’ Associations and the Japan Federation of Credit Guarantee Corporations.

As a result of these activities, TKC Monitoring Information Service has been adopted by 484 financial institutions as of June 30, 2023, with over 328,000 instances of use.

This service has been rated highly by financial institutions and credit guarantee corporations that support the management of SMEs, as it contributes to ensuring transparency through an accurate understanding of financial conditions and the timely

and appropriate disclosure of information. It is expected to serve as a bridge between financial institutions and TKC Members in their efforts to play the role of escort supporters of SMEs.

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

TKCNF has set a goal of having over 1,000 firms join the federation as new TKC Members over the three-year period from 2022 to 2024. To achieve this goal, the Company has engaged in efforts to strengthen its collaboration with the TKCNF New Members Service Committee. At the same time, the Company has strengthened its support system to facilitate effective utilization of TKC systems, including the Office Management System (OMS Cloud) for Tax Accounting Firms, by accounting firms that recently joined TKCNF.

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

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

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

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

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

(ii) Issuance of Certificate of Bookkeeping Timeliness

The Company utilizes the processing log data and historical time series data automatically logged at its data centers when TKC Members access its accounting system to issue Certificates of Bookkeeping Timeliness free of charge. This Certificate serves as reference for financial institutions, etc., to objectively evaluate the business performance of TKC member firms. This service was developed with the aim of improving the reliability of financial statements and tax returns prepared by TKC Members and facilitating smooth financing for the clients of TKC Members. By utilizing a feature of the Company's financial/accounting processing operations at TKC data centers that prohibits any retroactive insertions, deletions, or corrections to past data, the Company can prove, as a third party, that TKC Members have visited clients on a monthly basis to provide guidance on accurate bookkeeping (monthly field audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed in a comprehensive and timely manner.

(3) Expansion into the large-scale enterprise market

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

(i) Compliance with the consumption tax invoicing system

As the consumption tax invoicing system will be launched in October 2023, initiatives to promote the system that supports e-invoices are currently underway. The Company worked with the Digital Agency as a managing corporation for the E-Invoice Promotion Association (EIPA) and participated in the Digital and Tech Exhibition at the G7 Digital and Tech Ministers' Meeting in Takasaki, Gunma held from April 28 to 30, 2023. At the exhibition, the Company displayed Invoice Manager 2022 that enables transmission and reception of e-invoices (Peppol invoices). With around 5,500 visitors it enjoyed over the three days, the Exhibition turned out to be a success.

The Company also plans to switch invoices it issues (sales invoices) to Peppol invoices, starting from those for October 2023. In anticipation of this, in early January 2023, the Company launched transmission and reception of Peppol invoices to and from 50 user companies utilizing TKC systems through Invoice Manager 2022. So far, the equivalent of over 300 sales invoices worth of data has been sent and received, with the 50 user companies rating Peppol invoices highly, stating that this system will contribute to the digitalization of their business operations and a reduction in costs related to the delivery of invoices.

From May 9 to July 31, 2023, the Company streamed an on-demand video of the TKC Invoicing System Seminar with the National Tax Agency led by a guest instructor from the Office for the Reduced Tax Rate and Invoicing System, the Taxation Department of the National Tax Agency. Through this effort, the Company received requests from more than 2,800 people. The Company will continue to actively promote the use of e-invoices going forward.

(ii) Expansion of market share among large-scale enterprises and support for expanding the client base of TKC Members

The consolidated taxation system has been reformed for the fiscal year starting after April 1, 2022, and the new group tax sharing system is now applicable. As a result of the Company's efforts to support the electronic filing of corporate taxes and compliance with the group tax sharing system by leveraging its expertise accumulated to date, approximately 40% of the

estimated 20,700 companies with a capital of 100 million yen or greater, i.e., companies for which electronic filing is mandatory, now use the electronic tax filing system for corporations (ASP1000R), consolidated tax payment system (eConsoliTax), and Group Tax Sharing System (e-TAX Group Sharing) that the Company offers as of June 30, 2023. At the same time, the number of corporate groups using the TKC Consolidated Group Solution totaled approximately 5,380 corporate groups as of June 30, 2023.

With this, 93 of the 100 largest listed companies in Japan by sales now use our systems.

As a result of these activities, the Company's market share among listed companies in Japan has reached 43%. We intend to further expand our market share in the future.

(4) Market expansion for legal information database services

(i) Expanding the user base of TKC Law Library

The Company offers TKC Law Library as a standard service for legal research. The Library provides access to judicial precedents, laws, documents, etc., as its basic services, and boasts collections of law journals, law books, and related sources of supplementary information. With the industry's largest archive of more than 335,000 judicial precedents, TKC Law Library serves as one of Japan's major legal databases. We are promoting the use of our packaging service that gathers such content into collections that cater to law firms and corporate legal departments. Since November 2022, we have been providing support for the effective use of this service by periodically sending out email magazines containing the latest information including recommended articles to our customers and establishing a system that offers direct access to the service. As a result of these activities, there has been a transition from paper-based research that makes use of reference rooms and libraries to online research, which has led to a greater number of customers adopting our packaging service. TKC Law Library has been rated highly as the only legal research service that encompasses comprehensive law-related information by providing access to information on judicial precedents, laws, and documents, as well as major law journals and specialized books, leading to a steady rise in the number of subscriptions.

For the period under review, the number of users has surpassed 59,000 IDs as a result of promotional efforts aimed at TKC member firms, universities, law schools, government offices, law firms, patent offices, corporate legal departments, as well as overseas institutions and universities, with over 26,000 institutions using the Library as of June 30, 2023.

(ii) Progress in the academic market

Many universities and law schools are promoting the digital transformation of their learning environment to allow for online access to materials and research. More than 140 universities has signed a contract in FY2023 to adopt our TKC Educational and Research Support System and TKC Law Library, which are rated highly by faculty members and students because they can be used online anytime, anywhere, and contain a diverse variety of content that surpasses that of other companies. They are also equipped with various features such as report submission, online exercises, tests, and other components that support classes and self-study. They have thus contributed to the development of the learning environment in universities by serving as part of the online system infrastructure that supports classes and learning.

(iii) Learning support for students preparing for the bar exam

For law school students, graduates, individuals who have passed the preliminary exam, etc., who aim to sit for the bar exam, we support their preparation for the bar exam by providing a learning environment equipped with a system that contains practice questions for the bar exam and by conducting the TKC Standardized Nationwide Mock Exam. Changes will be made to the examination system starting from the 2023 bar exam, including shifting the examination period to mid-July and allowing law school students who satisfy certain criteria to take the bar exam when they are still in school. This year, 4,165 people are scheduled to take the bar exam, and the TKC Standardized Nationwide Mock Exam had 2,598 people (62.4%) examinees, which was a record high. This also meant that we had more than five times the numbers of mock test takers offered by our competitors for the sixth consecutive year, and that we offer the industry's No. 1 standardized mock test.

4. Business activities and operating results of the Local Governments Business Division

The Local Governments BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 2: "Management of electronic data processing centers to improve the administrative efficiency of local governments") and offers specialized information services that serve to help promote the welfare of residents by improving administrative efficiency.

The Company provides the TKC Government Cloud Service to municipalities. This cloud service comprises two separate services: the TASK Cloud Service and the TASK Outsourcing Service. The TASK Cloud Service consists of mission-critical system-related services for managing Basic Resident Registers and tax affairs information, internal information system-related services that include financial accounting (public accounting) and payroll calculations, and support services for the digitalization of administrative services that include online applications for administrative procedures. The Service has been adopted by more than 1,140 municipalities (prefectures, cities, wards, towns, villages, etc.) as of June 30, 2023.

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

The TASK Cloud Service is a single-version package system operated at the Company's data centers that is designed to allow shared usage by multiple institutions. Service fees are charged in the form of a subscription fee, which also includes one regular upgrade per year. The TASK Outsourcing Service, on the other hand, is a service that supports massive batch output processing of forms such as tax papers and entry tickets for elections. During this period, it actively supported client municipalities in their vaccination programs by allowing them to promptly prepare COVID-19 vaccination tickets in the spring of 2023. In recognition of this, our mission-critical system-related services have been adopted by approximately 170 local municipalities as of June 30, 2023.

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

The Company provides support services for the digitalization of administrative services to achieve digital counter services with the "3 No's (no visiting, no waiting, and no writing)." During the period under review, we have greatly enhanced the functionalities of the TASK Cloud Smart Application System, the TASK Cloud Easy Counter Service System, and the TASK Cloud My Number Card Issuance Reservation and Management System. As a result of this, the TASK Cloud Smart Application System has been adopted by about 50 agencies, including government ordinance-designated cities such as Osaka and Yokohama, while the TASK Cloud Easy Counter Service System and the TASK Cloud My Number Card Issuance Reservation and Management System have been adopted by at least 90 and 150 agencies, respectively, as of June 30, 2023.

(3) Support for the digitalization of local tax administrative procedures

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

In promoting these services, we have jointly developed proposals with approximately 50 partner companies with which we have ongoing alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is currently used by approximately 790 agencies, which account for more than 40% of all prefectures and local municipalities, as of June 30, 2023.

During the period under review, we worked together with our partner companies to support the introduction of systems for the payment of local taxes using standardized local tax QR codes in conjunction with the expansion of the tax items for the common local tax payment system launched in April 2023.

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

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

During the period under review, we launched the next-generation version of our public accounting system with enhanced features that support sustainable financial management through the visualization of financial status and the digital transformation of internal administrative tasks through electronic payments and integration with electronic invoicing. As a result, the TASK Cloud Public Accounting System has been adopted by at least 310 agencies as of June 30, 2023.

Since local governments are also required to comply with the consumption tax invoicing system that will begin in October 2023, we will share the relevant expertise with the Accounting Firm Business Division, implement the necessary features in the system, and explain the system to municipalities, etc.

(5) Research and development of next-generation products

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

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

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

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

projects with leading organizations, etc.

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

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

In the area of DPS, this period lacked the needs for printing services for entry tickets for the House of Representatives election held in October 2021, and for the major project for which the Company received an order by tender during the previous fiscal year. A large order for direct-mail (hereinafter "DM") production received from a private company was also cancelled due to the customer's personal circumstances. Due to these factors, sales declined year on year, even though we received orders from municipalities for vaccination tickets for their vaccination programs and for notifications of payment of emergency support benefits to address inflation. Nevertheless, we have launched new initiatives to increase the value offered to customers who use the Company's services, including the measurement of DM's effects using the QR code printed on the DM.

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

In the area of commercial-use creative materials (catalogs, books, etc.), net sales increased year on year thanks to orders for manuals explaining the consumption tax invoicing system that will be introduced in October 2023 as well as printing orders received from client companies for their anniversary activities. Orders for seminar materials have also increased, as more and more in-person meetings are held.

At the same time, TLP Corporation, the Group's printing business division, acquired the FSC® certification (CoC certification/FSC-C182216) on October 3, 2022. The FSC certification ensures that products use resources from responsibly managed forests for the benefit of the environment, society, and economy, and that they are delivered to consumers with transparency. Against the backdrop of an increasing number of environmentally conscious customers, we have steadily increased the use of FSC-certified paper. We have also begun producing and selling paper files as an environmentally friendly alternative to clear files. We seek to cater to the needs of customers who are environmentally conscious through the development and production of these environmentally friendly products.

Furthermore, overall production costs have risen as a result of a 20% increase in the cost of paper and other raw materials from the previous year, along with the soaring prices of electricity. We have continued to negotiate with our customers about passing on to them the portion of the higher production costs that cannot be absorbed through our business efforts (e.g., greater productivity) in the form of higher product prices.

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 111,227 million yen, a 2,001 million yen increase compared to 109,225 million yen as of the end of the previous consolidated fiscal year.

(1) Current assets

Current assets as of the end of the current 3rd Quarter consolidated accounting period amounted to 41,389 million yen, a 673 million yen increase compared to 40,715 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 823 million yen in notes, accounts receivable, and contract assets.

(2) Non-current assets

Non-current assets as of the end of the current 3rd Quarter consolidated accounting period amounted to 69,838 million yen, a 1,327 million yen increase compared to 68,510 million yen as of the end of the previous consolidated fiscal year.

This was mainly due to a 1,910 million yen decrease in long-term deferred tax assets included in Other, despite a 2,469 million yen increase in investment securities and a 1,000 million yen increase in long-term deposits.

2. Liabilities

Total liabilities as of the end of the current 3rd Quarter consolidated accounting period amounted to 16,527 million yen, a 5,372 million yen decrease compared to 21,899 million yen as of the end of the previous consolidated fiscal year.

(1) Current liabilities

Current liabilities as of the end of the current 3rd Quarter consolidated accounting period amounted to 12,344 million yen, a 5,335 million yen decrease compared to 17,679 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 3,473 million yen decrease in provisions for bonuses and a 2,460 million yen decrease in income taxes payable.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 3rd Quarter consolidated accounting period amounted to 4,183 million yen, a 36 million yen decrease compared to 4,219 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 35 million yen in long-term loans payable.

3. Net assets

Total net assets as of the end of the current 3rd Quarter consolidated accounting period amounted to 94,699 million yen, a 7,373 million yen increase compared to 87,325 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 5,492 million yen in retained earnings and an increase of 1,640 million yen in valuation difference on available-for-sale securities. Equity ratio as of the end of the current 3rd Quarter consolidated accounting period was 85.14%, a 5.2 percentage point increase from the ratio of 79.95% as of the end of the previous consolidated fiscal year.

III. Operational and Financial Challenges Facing TKC Group

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

IV. Research and Development Activities

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

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

3 [Material Agreements, etc.]

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

Part 3 [Information on the Company]

1 [Information on the Company's Stock]

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

(i) [Total number of shares]

Class	Total number of shares authorized to be issued (shares)
Common stock	120,000,000
Total	120,000,000

(ii) [Issued shares]

Class	Number of shares issued as of the end of 3rd Quarter accounting period (shares) (June 30, 2023)	Number of shares issued as of the filing date (shares) (August 14, 2023)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	53,462,066	53,462,066	Prime Market of the Tokyo Stock Exchange	Number of shares constituting a unit: 100 shares
Total	53,462,066	53,462,066	—	—

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

None to be disclosed.

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

None to be disclosed.

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

None to be disclosed.

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

Date	Increase or decrease in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase or decrease in capital stock (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, 2023 - June 30, 2023	—	53,462,066	—	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 is based on the shareholders registry as of the most recent record date (March 31, 2023) because the content of the shareholders registry cannot be verified and reflected.

(i) [Shares issued]

As of March 31, 2023

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 833,300	—	—
Shares with full voting right (others)	Common stock 52,556,900	525,569	—
Shares less than one share unit	Common stock 71,866	—	—
Total number of issued shares	53,462,066	—	—
Total voting rights held by all shareholders	—	525,569	—

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

(ii) [Treasury stock, etc.]

As of March 31, 2023

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	833,300	—	833,300	1.56
Total	—	833,300	—	833,300	1.56

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

2 [Officers]

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

Part 4 [Financial Information]

1. Method of Preparing Quarterly Consolidated Financial Statements

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

2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 3rd Quarter consolidated accounting period (from April 1, 2023, to June 30, 2023) and the 3rd Quarter consolidated cumulative period (from October 1, 2022, to June 30, 2023) have undergone quarterly review by Ernst & Young ShinNihon LLC pursuant to the provisions of Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act of Japan.

1 [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2022)	Current 3rd Quarter consolidated accounting period (June 30, 2023)
Assets		
Current assets		
Cash and deposits	29,920	29,745
Notes, accounts receivable, and contract assets	8,320	9,143
Inventories	494	542
Other	1,993	1,971
Allowance for doubtful accounts	(12)	(14)
Total current assets	40,715	41,389
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net amount)	7,651	7,337
Land	6,802	6,852
Other (net amount)	2,699	2,372
Total property, plant, and equipment	17,153	16,562
Intangible assets	4,666	5,343
Investments and other assets		
Investment securities	18,748	21,218
Long-term time deposits	17,700	18,700
Guarantee deposits	1,486	1,452
Other	8,754	6,560
Total investments and other assets	46,689	47,932
Total non-current assets	68,510	69,838
Total assets	109,225	111,227
Liabilities		
Current liabilities		
Accounts payable—trade	2,973	2,203
Electronically recorded obligations—operating	799	1,069
Short-term loans payable	71	71
Accounts payable—other	3,499	2,680
Income taxes payable	3,167	706
Contract liabilities	811	1,357
Provisions for bonuses	4,953	1,479
Other	1,403	2,774
Total current liabilities	17,679	12,344
Non-current liabilities		
Long-term loans payable	142	107
Retirement benefit liabilities	2,806	2,832
Provisions for stocks payment	306	333
Other	964	909
Total non-current liabilities	4,219	4,183
Total liabilities	21,899	16,527

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2022)	Current 3rd Quarter consolidated accounting period (June 30, 2023)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,589	6,667
Retained earnings	78,743	84,235
Treasury stock	(2,359)	(2,327)
Total shareholders' equity	88,672	94,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(138)	1,501
Accumulated remeasurements of defined benefit plans	(1,207)	(1,077)
Total accumulated other comprehensive income	(1,346)	424
Total net assets	87,325	94,699
Total liabilities and net assets	109,225	111,227

(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, 2021; ended June 30, 2022)	Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)
Net sales	50,340	53,862
Cost of sales	14,539	15,770
Gross profit	35,801	38,092
Selling, general, and administrative expenses	24,144	24,731
Operating income	11,656	13,360
Non-operating income		
Interest income	51	50
Dividend income	176	195
Insurance dividend income	18	22
Land and house rent received	37	30
Equity in earnings of affiliates	—	31
Other	70	41
Total non-operating income	354	371
Non-operating expenses		
Interest expenses	0	0
Loss on sale of securities	—	0
Surcharges	20	—
Penalties	46	—
Provisions for damages	—	107
Other	1	0
Total non-operating expenses	68	108
Ordinary income	11,941	13,622
Extraordinary income		
Gain on sale of non-current assets	2	1
Gain on sale of investment securities	—	0
Gain on extinguishment of tie-in shares	—	365
Total extraordinary income	2	366
Extraordinary loss		
Loss on retirement of non-current assets	24	17
Total extraordinary loss	24	17
Quarterly net income before taxes and adjustments	11,919	13,972
Income taxes—current	2,940	3,086
Income taxes—deferred	853	1,131
Total income taxes	3,794	4,217
Quarterly net income	8,125	9,755
Quarterly net income attributable to owners of parent	8,125	9,755

[Quarterly consolidated statements of comprehensive income]
 [3rd Quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 3rd Quarter consolidated cumulative period (Started October 1, 2021; ended June 30, 2022)	Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)
Quarterly net income	8,125	9,755
Other comprehensive income		
Valuation difference on available-for-sale securities	(106)	1,640
Remeasurements of defined benefit plans	130	130
Total other comprehensive income	24	1,770
Quarterly comprehensive income	8,149	11,526
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	8,149	11,526

[Notes to Financial Statements]

(Additional Information)

(Stock-based compensation plan for officers)

1. Outline of transaction

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

The proposal to change the stock-based compensation plan for Directors, etc. (excluding Directors not holding executive positions), and full-time auditors to performance-linked compensation has been deliberated by the Nomination and Compensation Advisory Committee, whose chairperson and half of whose members are independent Outside Directors and outside experts, and it was approved at the Ordinary General Meeting of Shareholders held on December 20, 2019.

2. Stocks of the Company remaining in trust

The stocks of the Company remaining in trust are recorded as treasury stock under net assets based on the book values in the trust (not including expenses attributable thereto). The book value and number of stocks of said treasury stocks were 407 million yen and 206,000 shares, respectively, as of the end of the current 3rd Quarter consolidated accounting period.

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

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

(Notes to 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, 2021; ended June 30, 2022)	Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)
Depreciation	2,298 million yen	2,579 million yen

(Notes to shareholders' equity, etc.)

I. Previous 3rd Quarter consolidated cumulative period (Started October 1, 2021; ended June 30, 2022)

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
May 10, 2022 Meeting of the Board of Directors	Common stock	1,894	36.00	March 31, 2022	June 13, 2022	Retained earnings

(Notes) 1. 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. 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.

II. Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)

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 16, 2022 Ordinary General Meeting of Shareholders	Common stock	2,210	42.00	September 30, 2022	December 19, 2022	Retained earnings
May 12, 2023 Meeting of the Board of Directors	Common stock	2,052	39.00	March 31, 2023	June 12, 2023	Retained earnings

(Notes) 1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 16, 2022 includes a cash dividend of 8 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 12, 2023 includes a cash dividend of 8 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, 2021; ended June 30, 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	33,913	13,928	2,497	50,340	—	50,340
(2) Inter-segment sales or transfers	4	0	1,893	1,897	(1,897)	—
Total	33,918	13,928	4,391	52,238	(1,897)	50,340
Segment profit	9,375	1,912	370	11,659	(3)	11,656

(Notes) 1. Adjustments of segment profit of -3 million yen include amounts for elimination of inter-segment transactions and adjustment of inventory assets.

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

II. Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)

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	36,052	15,631	2,178	53,862	—	53,862
(2) Inter-segment sales or transfers	3	0	1,982	1,986	(1,986)	—
Total	36,056	15,631	4,160	55,848	(1,986)	53,862
Segment profit	10,145	2,922	283	13,351	9	13,360

(Notes) 1. Adjustments of segment profit of 9 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 customers. The Company's reportable segments can be disaggregated into the following categories of goods and services:

Previous 3rd Quarter consolidated cumulative period (Started October 1, 2021; ended June 30, 2022)

(Unit: millions of yen)

	Reportable segment			Total
	Accounting Firm BD	Local Governments BD	Printing BD	
Revenue from computer services	11,982	6,938	—	18,921
Software sales	13,412	4,588	—	18,001
Revenue from consulting	5,036	468	—	5,505
Office equipment sales	2,703	1,932	—	4,636
Accounting supplies sales	778	—	—	778
Revenue from printing-related services	—	—	2,497	2,497
Sales to outside customers	33,913	13,928	2,497	50,340

Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)

(Unit: millions of yen)

	Reportable segment			Total
	Accounting Firm BD	Local Governments BD	Printing BD	
Revenue from computer services	12,451	7,206	—	19,658
Software sales	14,481	4,688	—	19,169
Revenue from consulting	5,394	1,444	—	6,839
Office equipment sales	2,957	2,291	—	5,248
Accounting supplies sales	767	—	—	767
Revenue from printing-related services	—	—	2,178	2,178
Sales to outside customers	36,052	15,631	2,178	53,862

(Earnings per share information)

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

	Previous 3rd Quarter consolidated cumulative period (Started October 1, 2021; ended June 30, 2022)	Current 3rd Quarter consolidated cumulative period (Started October 1, 2022; ended June 30, 2023)
Quarterly net income per share	154.88 yen	186.06 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	8,125	9,755
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	8,125	9,755
Average number of common stocks outstanding (hundreds of shares)	524,615	524,307

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

The average numbers of said treasury stocks outstanding deducted for the calculation of quarterly net income per share were 215,250 shares for the previous 3rd Quarter consolidated cumulative period and 206,000 shares for the current 3rd Quarter consolidated cumulative period.

2. The quarterly diluted net income per share is not stated as there were no dilutive shares.

(Material subsequent events)

None to be disclosed.

2 [Other]

The following resolution regarding the current interim dividends was adopted at the Meeting of the Board of Directors held on May 12, 2023.

(a) Total amount of cash dividends to be paid as interim dividends: 2,052 million yen

(b) Dividend per share: 39.00 yen

(c) Effective date of payment request and payment start date: June 12, 2023

(Note) Dividends have been paid to the shareholders listed or recorded on the Register of Shareholders as of March 31, 2023.

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

None to be disclosed.

Quarterly Review Report of Independent Auditors

August 14, 2023

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated Limited
Liability Partner
Engagement Partner

Certified Public
Accountant

Shigeyuki Honda

Designated Limited
Liability Partner
Engagement Partner

Certified Public
Accountant

Toru Iizuka

Auditor's Conclusion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have conducted a quarterly review of the quarterly consolidated financial statements presented in the Financial Information section, which comprise the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, and notes of TKC Corporation applicable to the 3rd Quarter consolidated accounting period (from April 1, 2023 to June 30, 2023) and the 3rd Quarter consolidated cumulative period (from October 1, 2022 to June 30, 2023) of the consolidated fiscal year started October 1, 2022 and ending September 30, 2023.

Based on our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not properly represent, in all material respects, the financial position of TKC Corporation and its consolidated subsidiaries as of June 30, 2023, as well as their financial performance for the 3rd Quarter consolidated cumulative period then ended, in conformity with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan.

Basis for Auditor's Conclusion

We have conducted our quarterly review in accordance with the quarterly review standards generally accepted in Japan. Our responsibilities under those standards for quarterly reviews are further described in the Auditor's Responsibilities for the Quarterly Review of Quarterly Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan, and we have also fulfilled our other ethical responsibilities as auditors. We believe that we have obtained the evidence required to provide a basis for our conclusion.

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

Management is responsible for the preparation and proper presentation of quarterly consolidated financial statements in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan. Responsibilities include designing and implementing the internal control determined by management as necessary to enable the preparation and proper presentation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, where applicable, matters related to going concern in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan.

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

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

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

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

- We principally make inquiries to management and persons responsible for financial and accounting matters and perform analytical procedures and other quarterly review procedures. The procedure for quarterly reviews is a limited procedure compared to the procedure for annual financial statements performed in accordance with the auditing standards generally accepted in Japan.
- If we determine that there exists a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, we will present our conclusion, based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements have not been properly presented in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan. If we conclude that such material uncertainty exists, we are required to draw attention in our quarterly review report to the notes to the quarterly consolidated financial statements or, if such notes are inadequate to address the material uncertainty, to express a qualified conclusion or negative conclusion on the quarterly consolidated financial statements. Our conclusions are based on the evidence obtained up to the date of our quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate whether anything has come to our attention that causes us to believe that the presentation of and notes to the quarterly consolidated financial statements are not in accordance with the principles for the preparation of quarterly consolidated financial statements generally accepted in Japan; and whether anything has come to our attention that causes us to believe that the overall presentation, structure, or content of the quarterly consolidated financial statements, including the notes thereto, or the quarterly consolidated financial statements themselves, do not represent the underlying transactions and accounting-related events in a manner that constitutes proper presentation.
- We obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision, and performance of the quarterly review of the quarterly consolidated financial statements. We remain solely responsible for our conclusion.

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

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

Conflicts of Interest

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

End of document

(Notes) 1. The original copy of the above quarterly review report is retained by TKC Corporation (the Company filing this quarterly report).

2. XBRL data is not included in the scope of this quarterly review.

[Front Cover]	
[Document filed]	Confirmation Letter
[Applicable law]	Article 24-4-8, Paragraph 1, of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	August 14, 2023
[Company name]	<i>Kabushiki Kaisha TKC</i>
[Company name in English]	TKC Corporation
[Title and name of representative]	Masanori Iizuka, Representative Director, President and Executive Officer
[Title and name of Chief Financial Officer]	Kiyotsugu Nakanishi, Director, Managing Executive Officer, Chief of the Business Administration Headquarters
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Agebacho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

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

Masanori Iizuka, Representative Director, President and Executive Officer of the Company, and Kiyotsugu Nakanishi, Chief Financial Officer of the Company, hereby confirm that the statements contained in the quarterly report for the 3rd Quarter of the 57th term (started April 1, 2023; ended June 30, 2023) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.