

Quarterly Report

(58th Term 2nd Quarter)

(Started January 1, 2024;
ended March 31, 2024)

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Term & Period		57th Term 2nd Quarter consolidated cumulative period	58th Term 2nd Quarter consolidated cumulative period	57th Term
Accounting period		Started October 1, 2022 ended March 31, 2023	Started October 1, 2023 Ended March 31, 2024	Started October 1, 2022 Ended September 30, 2023
Net sales	(millions of yen)	36,050	37,047	71,915
Ordinary income	(millions of yen)	8,858	9,253	14,772
Quarterly (current) net income attributable to owners of parent	(millions of yen)	6,134	6,376	10,826
Quarterly comprehensive income or comprehensive income	(millions of yen)	6,815	7,223	13,210
Net assets	(millions of yen)	91,916	99,861	95,308
Total assets	(millions of yen)	111,179	119,221	116,356
Quarterly (current) net income per share	(yen)	117.01	122.28	206.54
Quarterly (current) diluted net income per share	(yen)	—	—	—
Equity ratio	(%)	82.7	83.8	81.9
Cash flows from operating activities	(millions of yen)	4,314	5,611	13,067
Cash flows from investing activities	(millions of yen)	(2,547)	(3,045)	(5,861)
Cash flows from financing activities	(millions of yen)	(2,324)	(2,777)	(5,571)
Cash and cash equivalents at end of quarter (period)	(millions of yen)	26,063	28,582	28,793

Term & Period		57th Term 2nd Quarter consolidated accounting period	58th Term 2nd Quarter consolidated accounting period
Accounting period		Started January 1, 2023 ended March 31, 2023	Started January 1, 2024 Ended March 31, 2024
Quarterly net income per share	(yen)	61.89	70.30

(Notes) 1. Changes in key financial data, etc. of the Company are not stated here, as they are included in the Company's quarterly consolidated financial statements.

2. The Company maintains a Board Incentive Plan (BIP) Trust and records the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly (current) net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.

3. The quarterly (current) diluted net income per share is not stated as there were no dilutive shares.

2 [Description of Business]

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

Part 2 [Business Overview]

1 [Risk Factors]

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

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

I. Operating Results

In the current 2nd Quarter consolidated cumulative period (hereinafter, “current 2nd Quarter”), the Japanese economy continued to move toward recovery, albeit only gradually, as economic activities were revitalized by rising share prices and expanded consumption arising from the transition of COVID-19 to Class 5, more than offsetting the impact of soaring prices of raw materials and energy. Meanwhile, in the TKC Group’s customers there have been frequent amendments to legal systems and it has been necessary for them to practically respond to the amendments. The TKC Group provides IT systems and training services for responding to amendments to legal systems quickly and is carrying out business operations aimed at contributing to our customers and local communities.

The Accounting Firm Business Division supports certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) with regards to their first settlement and filing under the consumption tax invoicing system, meeting the requirements for retention of electronic transactions based on the Act on Book and Record Keeping through Electronic Methods, and preparation of the fixed-amount tax reduction system which will be required from June this year.

The Local Governments Business Division is handling benefit programs for low-income households, measures to alleviate the economic burden on child-rearing households, etc. and in addition is working on systems development to ensure that the customer municipalities are able to smoothly carry out system transition by the deadline for conformity with the standard specifications (March 31, 2026) stipulated in the Basic Policy for Standardizing Information Systems in Local Governments decided by the Cabinet on September 8, 2023.

As a result of these activities, the operating results for the current 2nd Quarter of the consolidated Group comprising TKC Corporation and its six consolidated subsidiaries recorded net sales of 37,047 million yen (increased 2.8% year on year), operating income of 8,989 million yen (increased 2.9% year on year), ordinary income of 9,253 million yen (increased 4.5% year on year), and quarterly net income attributable to owners of parent of 6,376 million yen (increased 3.9% year on year).

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

1. Results of operation for the 2nd Quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm Business Division were 24,624 million yen (increased 3.9% year on year); operating income was 6,422 million yen (increased 3.0% year on year). Breakdown of key sales is as follows:

- (i) Sales from computer services increased by 4.3% year on year. This was attributable to the increase in the amount of data used in cloud services caused by the growth in number of implementations of the FX Cloud Series in the context of the digital transformation (DX) of accounting work in clients, and the increasing adoption of the Office Management System (OMS Cloud) for Tax Accounting Firms and the OMS Connect which allows them to work remotely using the OMS from home or outside their offices.
- (ii) Software sales increased by 4.6% year on year. This was attributable to the increase in clients who started using the FX Cloud Series equipped with “qualified invoice issuer check functions” and “documented evidence storage functions” for the first time to comply with the consumption tax invoicing system and the Revised Act on Book and Record Keeping through Electronic Methods.
- (iii) Sales from consulting services increased by 3.3% year on year. This was due to an increase in the number of implementations of startup support services accompanying new orders for FX4 Cloud, an accounting system that caters to mid-size companies.
- (iv) Hardware sales increased by 2.7% year on year. This was mainly due to the costs for the purchase of hardware now being covered by funding under the Subsidy Program for Introducing IT to Businesses for Productivity Improvement in Services, etc. (“Subsidies for Introduction of IT”) of The Small and Medium Enterprise Agency and the rise in the sales unit price for IT devices.

- (v) Sales from supplies decreased by 4.2% year on year. This was attributable to the decrease in sales of accounting supplies, etc. due to the spread of digitalization, which more than offset the increase in agent transactions under the Revenue Recognition Accounting Standard, such as sales of digital multifunction printers and office furniture.
- (vi) Improvement in operating income year-on-year was a result of sales of computer services and software with higher profit margins growing steadily.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD were 11,029 million yen (increased 1.0% year on year); operating income was 2,703 million yen (increased 5.5% year on year). Breakdown of key sales is as follows:

- (i) Sales from computer services increased by 4.4% year on year. This was attributable to the increase in service fees due to the new implementation of systems which support the digitalization of administrative procedures such as the system for payment of local taxes using a unified local tax QR code (commenced April 2023), the TASK Cloud Easy Counter Service System, etc., which more than offset the fact that in the current fiscal year there were no printing operations such as vouchers for COVID-19 vaccine booster shots which we received orders for in the previous fiscal year.
- (ii) Software sales increased by 19.9% year on year. This was due to the large increase in temporary system upgrading operations arising from a range of legal amendments, including the FY2023 system upgrading operations accompanying the transition to standardization-compliant systems, benefit programs for low-income households, and measures to alleviate the economic burden on child-rearing households.
- (iii) Sales from consulting services decreased 44.6% year-on-year. This was due to the fact that in the current fiscal year there was no systems implementation support, etc. arising from the introduction of one-stop moving out and moving in procedures and payment of local taxes using a unified local tax QR code, which we received orders for in the previous fiscal year.
- (iv) Hardware sales decreased by 8.3% year-on-year. This was due to the small number of customer organizations who needed to renew their hardware and network devices.
- (v) The year-on-year increase in operating income was mainly due to an increase in system upgrading and computer services sales with higher profit margins.

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

Net sales of the Printing Business Division were 1,393 million yen (decreased 1.7% year-on-year); operating loss was 145 million yen (compared to an operating loss of 72 million yen in the 2nd Quarter of the previous fiscal year). Breakdown of key sales is as follows:

- (i) Sales of products related to the data printing service (hereinafter, "DPS") increased by 0.8% year on year. This was due to the fact that although in the current fiscal year there were no printing operations for COVID-19 vaccine vouchers or operations related to the support benefits to address rising prices of electricity, gas, food, etc. which we received orders for from the customer municipalities in the previous fiscal year, this was more than offset by the increase in orders for direct mails (hereinafter, "DMs") which utilize QR codes to measure effects.
- (ii) Business form-related sales decreased by 2.2% year-on-year. This was due to the fact that orders for slip printing operations decreased as a consequence of the progress of digitalization in customer companies.
- (iii) Sales related to the printing of commercial-use creative materials (catalogs, books, etc.) decreased by 16.1% year on year. This was due to the fact that there were no printing operations related to manuals explaining the consumption tax invoicing system or client companies' anniversary activities which we had received orders for in the previous fiscal year.

2. Important Matters with respect to the Company as a Whole

(1) Establishment of a purpose-built information site in the TKC website called Information on Support Measures for Businesses in the 2024 Noto Peninsula Earthquake

In order to support businesses which were affected by the 2024 Noto Peninsula Earthquake, TKC established a dedicated page presenting information on support measures for businesses in the Noto Peninsula Earthquake on January 11. Furthermore, we are also supporting the early recovery of businesses by providing free reprinting of accounting records and free loaning of computers to customers affected by the disaster. We pray that the businesses of all of our customers who are SMEs, etc. affected by the disaster will recover as soon as possible.

(2) Establishment of a purpose-built information site in the TKC website called Now I have Peace of Mind regarding Fixed-Amount Tax Reduction!

TKC has established a purpose-built information site on the fixed-amount tax reduction system for income tax and inhabitants tax which will start from June this year. On this site, we explain the overview of the fixed-amount tax reduction and in addition present the practical working schedule for the employees in charge of salary calculation, etc. By transmitting information at this site, we will support companies and business owners so that they can meet the requirements of this system smoothly.

(3) The number of medium- and large-sized companies which have implemented Invoice Manager has surpassed 1,000 companies

Electronic retention of electronic transaction data was mandated in the Revised Act on Book and Record Keeping through Electronic Methods from January this year. TKC provides the cloud service Invoice Manager which electronically retains invoices, etc. issued and received electronically, greatly reducing the previous trouble and cost of retaining them on paper, and the number of companies which has implemented Invoice Manager has exceeded 1,000 companies.

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

The Accounting Firm Business Division is working on the development and provision of products and services in close collaboration with the TKCNF in order to support the sustainable development of accounting firms and SMEs, which are the clients of the accounting firms.

Furthermore, it is providing a full range of cloud services to large-scale enterprises such as listed companies and law firms, universities, law schools, etc.

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

(i) Promotion of self-accounting by the TKC method (promotion of the FX Series)

SMEs are facing a challenging business environment due to inflation and depreciation of the yen and repayment of the virtually interest-free/unsecured loans (“zero/zero loans”) extended during the COVID-19 pandemic, and other factors. For that reason, we provided support so that management can quickly implement strategic decision-making through the utilization of functions incorporated in the FX Series Financial Accounting System for Enterprises for the management strategy level (the 365 Days Floating Income Statement, budget entry, management by division, financing results spreadsheet, and annual forecast management). 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 the utilization of the functions of the daily-task-level, including 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 a feature for the integration of salary journals with the PX Series salary calculation system.

Note that the consumption tax invoicing system was commenced from October 2023 and TKC Members are carrying out the filing of tax returns for individuals and financial statements filing operations for corporate companies for the first time under this system. The FX Series fully conforms with the consumption tax invoicing system and enables correct filing of consumption tax. In particular due to three points — 1) the FX Series is equipped with a function which automatically checks the applicability of transitional measures or special provisions, 2) automatic posting of transitional measures concerning transactions with tax-exempt businesses is possible, and 3) automatic posting of qualified invoice issuer numbers to financial statements, consumption tax returns, and account items breakdown forms is possible — all operations can be completed in one process from accounting records to the filing of consumption tax, so the FX Series is highly evaluated as leading to the streamlining of accounting firm operations and proper filing.

As a result of obtaining this recognition, 320,000 companies were using the FX series as of March 31, 2024. 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.

(ii) Support for the preparation of highly reliable financial statements based on timely and accurate bookkeeping

The biggest feature of the financial accounting system provided by TKC Corporation is that it is predicated on the field audits and monthly settlements which the TKC member firms implement for their clients every month, and prohibits retroactive revisions and processing of insertions or deletions in the transaction data after implementation of the field audits. It utilizes this feature to issue free of charge the Certificate of Bookkeeping Timeliness which serves as materials used by financial institutions and others to objectively determine the operational levels 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. 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. In this way the Certificate of Bookkeeping Timeliness enables “the frequency of audits” to be determined at a glance, and we believe that it will be even more important going forward.

(iii) 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.

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

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 492 financial institutions as of March 31, 2024, surpassing 336,000 instances of use.

As a tool which can confirm the three requirements presented in the Guidelines on Management Guarantees (distinguishing and separating relationships with corporations and individuals, strengthening of the financial foundation, and ensuring the transparency of management through accurate ascertainment of the financial position and timely and appropriate information disclosure), the TKC Monitoring Information Service is highly evaluated by financial institutions and credit guarantee corporations offering management support to SMEs.

- (iv) Fostering of good-standing companies through collaboration with TKCNF

The Accounting Firm Business Division is carrying out business operations aimed at the realization of “positive balance and proper filing” through close collaboration with the TKCNF, which is organized by 11,400 TKC Members (as of March 31, 2024).

The TKCNF has set the activity policy for the three years from 2022 as follows.

“TKC accountants challenging the future—push through field auditing and support companies in achieving positive balance and proper filing”

- 1) Massively expand superior electronic books—Promotion of self-accounting by the TKC methods
- 2) Become guardians of tax justice—Promotion of *shomen-tempu* (attachment of tax audit reports) by the TKC methods
- 3) Support the achievement of positive balance and foster good-standing companies—Promotion of field auditing and managerial advisory services

To support the activities of TKCNF and the achievement of their targets, the Company will engage in sales activities focused on the promotion of self-accounting by the TKC methods.

Note that TKCNF is issuing the TKC Management Indicators (BAST), which contains the financial statement data of more than 250,000 companies and companies that satisfy the following criteria are defined as “BAST good-standing companies.”

- Self-accounting by the TKC methods used to implement 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 the Chusho Kaikei Yoryo (Guidelines for SME Accounting) (including corporate accounting standards and SMEs accounting principles)
- Increase of marginal income for two consecutive fiscal years
- Equity ratio of 30% or greater
- Positive net income before taxes

TKC Corporation is supporting the fostering of good-standing companies by TKC Members.

- (v) Soliciting new members (promoting membership of TKCNF)

TKCNF has set a goal of having more than 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 strengthened its efforts in 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, for accounting firms that recently joined TKCNF.

- (2) Expansion into 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) Response to e-invoices

In August 2023 TKC was installed as representative managing corporation of the E-Invoice Promotion Association (EIPA), and together with approximately 200 association member companies, primarily system vendors, we are working on activities to disseminate e-invoices.

In addition, from January 2024, electronic retention of electronic transaction data was mandated in the Revised Act on Book and Record Keeping through Electronic Methods. Due to that, the need for electronic retention of electronic transaction data grew and in the three months of the current 2nd Quarter the number of companies newly implementing the cloud service Invoice

Manager which digitalizes the issuance and receipt of invoices exceeded 70 companies.

As a result of these kinds of activities Invoice Manager has been implemented in approximately 1,000 medium- and large-sized companies as of March 31, 2024. The Company will continue to 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 has been commenced. The Group Tax Shared Filing System (e-TAX Group Sharing) provided by TKC Corporation has been highly praised by the market, and is being used in many companies which have adopted the group tax sharing system.

Note that approximately 40% of the 20,800 some companies with a capital of more than 100 million yen now use our ASP1000R electronic tax filing system for corporations and the Group Tax Shared Filing System (e-TAX Group Sharing) as of March 31, 2024.

At the same time, the number of corporate groups using the TKC Consolidated Group Solution totaled approximately 5,630 corporate groups as of March 31, 2024. Currently, its market share in the listed companies of Japan has reached 43%, and 93 companies out of the 100 companies with the top net sales among the listed companies of Japan (93%) are using the systems of TKC.

(3) Expansion of markets for legal information database services

TKC Corporation is widely providing legal information services to the legal community, particularly accounting firms, and to the academic market, corporate legal departments, etc.

(i) Expansion of the number of records and content in the TKC Law Library

TKC Corporation provides the TKC Law Library, a legal information database which boasts the industry's largest archive (more than 342,000 judicial precedents). Centered on judicial precedent information (LEX/DB), it comprehensively covers laws, documents, law journals, specialized books on law, and related additional information, and we are constantly enhancing the content in the Library. 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 steady increase in the number of customers adopting our service.

For the period under review, use progressed in TKC member firms, universities, law schools, government offices, law firms, patent offices, corporate legal departments, and overseas research institutions, and 59,000 IDs in over 26,000 institutions were using the Library as of March 31, 2024.

(ii) Progress toward the academic market

Many universities and law schools are promoting the digital transformation of their learning environment to allow for online use of materials and research. The features of our TKC Law School Educational and Research Support System are that 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. More than 160 universities have signed a contract in FY2024 to adopt our TKC Educational and Research Support System, which is rated highly by faculty members and students.

Furthermore, for law school students, graduates, individuals who have passed the preliminary exam, who aim to sit for the bar exam, we also support their preparation for the bar exam by conducting the TKC Standardized Nationwide Mock Exam. The number of examinees taking the TKC Standardized Nationwide Mock Exam was more than five times the number of students taking the tests offered by our competitors, and our exam became the industry's top-ranked standardized mock test. Going forward, we will advance preparations for the transition to the CBT exam in 2026 announced by the Ministry of Justice, and will aim to further expand the number of examinees.

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

The Local Governments Business Division offers specialized information services in order to help promote the welfare of residents by improving administrative efficiency. The TKC Government Cloud Service provided by TKC Corporation to municipalities has been adopted by more than 1,140 municipalities (prefectures, cities, wards, towns, villages, etc.) as of March 31, 2024.

(1) Meeting the needs of the standardization of local government information systems

Based on the Basic Policy for Standardizing Information Systems in Local Governments decided by the cabinet on September 8, 2023, it is now mandatory for municipalities to use mission-critical operations systems which conform with the standardization criteria and there is a duty to strive to use the Government Cloud with standardization-compliant systems by March 31, 2026.

TASK Cloud Service, the mission-critical operations system that we are currently providing, is a single-version package system operated at our 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. Moreover, through provision of the TASK Outsourcing Service, we provide integrated support for massive batch printing of forms such as tax papers and entry tickets for elections. In recognition of this, the mission-critical system-related services of TKC Corporation have been adopted by approximately 170 local

municipalities as of March 31, 2024.

In order to support the standardization of the mission-critical operations systems, TKC Corporation is developing standardization-compliant systems and implementing a full range of support activities for our customer municipalities to accomplish the transition within the deadline.

(2) Support for digitalization of administrative services

(i) Support for digitalization and online provision of administrative procedures

The Company provides support solutions for the digitalization of administrative services to achieve digital counter services with the “3 No’s (no visiting, no waiting, and no writing).”

For the period under review, we have enhanced the functionalities of the TASK Cloud Smart Application System and the TASK Cloud Easy Counter Service System, and have tackled the complete renewal of the TASK Cloud My Number Card Issuance Reservation and Management System in anticipation of the expanded use of the My Number Card going forward.

As a result of this, the TASK Cloud Smart Application System has been adopted by at least 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 100 and 170 agencies, respectively, as of March 31, 2024.

(ii) Support for digitalization of local tax administrations

As an authorized contractor of the Local Tax Agency, TKC Corporation 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 March 31, 2024.

Note that in the period under review we worked on renewal of the support site and we are aiming to strengthen our support for the customer municipalities and partner companies.

(iii) Support for the digitalization of internal administration

TKC Corporation provides the TASK Cloud Public Accounting System as well as its related systems in order to support the digitalization of internal administration centered on the financial accounting (public accounting) system.

In the current fiscal year, we greatly strengthened features such as sustainable financial management through the visualization of financial status, electronic payments and integration with electronic invoicing. As a result, the TASK Cloud Public Accounting System is adopted by at least 330 agencies as of March 31, 2024. Going forward, we will work to support e-invoices for the further streamlining of the operations of our customers.

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

TLP Corporation, which is responsible for the Group’s Printing Business, operates with a primary focus on the DPS, business form printing, and the printing of commercial-use creative materials.

In the DPS field, it is proposing outsourcing (BPO) with the objectives of the rationalizing of the creation of DMs and notification-related operations of general administration, accounting, and personnel departments. In particular, we are working to increase the value offered to customers who use the Company’s services, including the measurement of DMs’ effects through utilization of the QR code.

In the business form printing field, the use of business forms and slips is decreasing due to the increasing adoption of paperless methods, but there is clear demand for handwritten forms and specific forms, so we will engage in sales activities utilizing our strength of form printing.

In the commercial-use creative materials field (catalogs, books, etc.), we are supporting the provision in a timely manner of the publications required by the customer companies, for example, printing materials for the anniversary events of customer companies, revised editions of specialist books due to legal revisions, etc. Furthermore, after the COVID-19 pandemic, the holding of face-to-face seminars and events is increasing in number and demand for the creation of distributed materials is also growing. We are increasing added value and thereby expanding the number of new business contacts by undertaking contracts for the entire process from creation of the design to the printing.

Furthermore, against the backdrop of an increasing number of environmentally conscious customers, we have steadily increased the use of FSC®-certified paper (we acquired the FSC forest certification (CoC certification/FSC-C182216) on October 3, 2022). We have also begun newly producing and selling paper files as an environmentally friendly alternative to clear files and we are catering to the needs of customers who are environmentally conscious.

II. Financial Conditions

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

1. Assets

Total assets as of the end of the current 2nd Quarter consolidated accounting period amounted to 119,221 million yen, a 2,864 million yen increase compared to 116,356 million yen as of the end of the previous consolidated fiscal year.

(1) Current assets

Current assets as of the end of the current 2nd Quarter consolidated accounting period amounted to 44,180 million yen, a 1,006 million yen increase from the 43,173 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 1,452 million yen increase in notes, accounts receivable, and contract assets, despite a 211 million yen decrease in cash and deposits.

(2) Non-current assets

Non-current assets as of the end of the current 2nd Quarter consolidated accounting period amounted to 75,040 million yen, a 1,858 million yen increase compared to 73,182 million yen as of the end of the previous consolidated fiscal year.

This was mainly due to a 1,105 million yen increase in investment securities and a 1,000 million yen increase in long-term deposits, despite a 690 million yen decrease in long-term deferred tax assets included in Other.

2. Liabilities

Total liabilities as of the end of the current 2nd Quarter consolidated accounting period amounted to 19,359 million yen, a 1,687 million yen decrease compared to 21,047 million yen as of the end of the previous consolidated fiscal year.

(1) Current liabilities

Current liabilities as of the end of the current 2nd Quarter consolidated accounting period amounted to 15,194 million yen, a 1,603 million yen decrease compared to 16,797 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 1,172 million yen decrease in provisions for bonuses and a 488 million yen decrease in contract liabilities, despite a 339 million yen increase in income taxes payable.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 2nd Quarter consolidated accounting period amounted to 4,165 million yen, an 84 million yen decrease compared to 4,249 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 69 million yen in long-term lease obligations included in Other.

3. Net assets

Total net assets as of the end of the current 2nd Quarter consolidated accounting period amounted to 99,861 million yen, a 4,552 million yen increase compared to 95,308 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 3,706 million yen in retained earnings and an increase of 759 million yen in valuation difference on available-for-sale securities.

The equity ratio as of the end of the current 2nd Quarter consolidated accounting period was 83.8%, a 1.9 percentage point increase from the ratio of 81.9% as of the end of the previous consolidated fiscal year.

III. Cash Flows

The balance of cash and cash equivalents as of the end of the current 2nd Quarter consolidated accounting period amounted to 28,582 million yen, a 211 million yen decrease compared to the end of the previous consolidated fiscal year.

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

(1) Cash flows from operating activities

Cash flows from operating activities increased by 5,611 million yen (1,297 million yen increase in revenue compared to the same quarter of the previous year). Major factors include the recording of 9,264 million yen in quarterly net income before taxes and adjustments, an increase of 1,517 million yen in notes and accounts receivable–trade, and payment of 2,213 million yen in income taxes.

(2) Cash flows from investing activities

Cash flows from investing activities decreased by 3,045 million yen (498 million yen increase in spending compared to the same quarter of the previous year). Major factors include an expenditure of 2,700 million yen for payment into time deposits, proceeds of 1,700 million yen from the withdrawal of time deposits, and an expenditure of 1,717 million yen for the purchase of intangible assets.

(3) Cash flows from financing activities

Cash flows from financing activities decreased by 2,777 million yen (452 million yen increase in spending compared to the same quarter of the previous year). Major factors include the payment of 2,665 million yen as year-end dividends for the fiscal year ended September 2023 (a dividend of 51 yen per share).

IV. Operational and Financial Challenges Facing TKC Group

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

V. Research and Development Activities

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

Additionally, there are no significant changes in the status of research and development activities under TKC Group during the current 2nd Quarter consolidated cumulative period

3 [Material Agreements, etc.]

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

Part 3 [Information on the Company]

1 [Information on the Company's Stock]

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

(i) [Total number of shares]

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

(ii) [Issued shares]

Class	Number of shares issued as of the end of the 2nd Quarter accounting period (shares) (March 31, 2024)	Number of shares issued as of the filing date (shares) (May 13, 2024)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	53,166,466	53,166,466	Tokyo Stock Exchange Prime Market	Number of shares constituting a unit: 100 shares
Total	53,166,466	53,166,466	—	—

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

None to be disclosed.

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

None to be disclosed.

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

None to be disclosed.

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

Date	Increase or decrease in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase or decrease in capital stock (millions of yen)	Balance of capital stock (millions of yen)	Increase or decrease in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
January 1, 2024 - March 31, 2024	—	53,166,466	—	5,700	—	5,409

(5) [Major shareholders]

As of March 31, 2024

Name of shareholder	Address	Number of shares held (hundred shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	75,170	14.4
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	47,964	9.2
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo	44,301	8.5
Sozeishiryokan (The Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	30,930	5.9
TKC Group Employee Shareholding Association	2-1 Agebacho, Shinjuku-ku, Tokyo	29,131	5.6
SSBTC Client Omnibus Account (Standing proxy: The Hong Kong & Shanghai Banking Corporation, Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	20,568	3.9
Masaharu Iizuka	Utsunomiya-shi, Tochigi	14,626	2.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4 Otemachi, Chiyoda-ku, Tokyo	13,328	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	11,966	2.3
Sompo Japan Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	11,966	2.3
Total	—	299,953	57.3

(Note) The 203,800 shares of the Company held by the BIP Trust are not included in the treasury stocks to be deducted in calculating the percentage of shares held to the total number of issued shares.

(6) [Status of voting rights]

(i) [Shares issued]

As of March 31, 2024

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 815,100	—	—
Shares with full voting right (others)	Common stock 52,280,500	522,805	—
Shares less than one share unit	Common stock 70,866	—	—
Total number of shares issued	53,166,466	—	—
Total voting rights held by all shareholders	—	522,805	—

(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 203,800 shares (2,038 units of voting rights) held by the BIP Trust.

(ii) [Treasury stock, etc.]

As of March 31, 2024

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	815,100	—	815,100	1.53
Total	—	815,100	—	815,100	1.53

(Note) In addition to the above, the 203,800 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 2nd Quarter consolidated accounting period (from January 1, 2024 to March 31, 2024) and the 2nd Quarter consolidated cumulative period (from October 1, 2023 to March 31, 2024) 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, 2023)	Current 2nd Quarter consolidated accounting period (March 31, 2024)
Assets		
Current assets		
Cash and deposits	32,093	31,882
Notes, accounts receivable, and contract assets	8,684	10,137
Inventories	* 425	* 629
Other	1,989	1,552
Allowance for doubtful accounts	(19)	(20)
Total current assets	43,173	44,180
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net amount)	7,491	7,325
Land	6,915	6,915
Other (net amount)	2,901	2,638
Total property, plant, and equipment	17,308	16,879
Intangible assets	5,813	6,590
Investments and other assets		
Investment securities	22,050	23,156
Long-term time deposits	18,700	19,700
Guarantee deposits	1,452	1,531
Other	7,858	7,182
Total investments and other assets	50,061	51,570
Total non-current assets	73,182	75,040
Total assets	116,356	119,221
Liabilities		
Current liabilities		
Accounts payable—trade	2,698	2,757
Electronically recorded obligations—operating	780	633
Short-term loans payable	71	71
Accounts payable—other	3,441	2,519
Income taxes payable	2,437	2,777
Contract liabilities	1,210	722
Provisions for bonuses	4,810	3,637
Other	1,346	2,073
Total current liabilities	16,797	15,194
Non-current liabilities		
Long-term loans payable	71	35
Retirement benefit liabilities	2,956	2,972
Provisions for stocks payment	341	350
Other	879	806
Total non-current liabilities	4,249	4,165
Total liabilities	21,047	19,359

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2023)	Current 2nd Quarter consolidated accounting period (March 31, 2024)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,286	6,286
Retained earnings	84,890	88,596
Treasury stock	(2,604)	(2,605)
Total shareholders' equity	94,271	97,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,070	2,830
Accumulated remeasurements of defined benefit plans	(1,033)	(946)
Total accumulated other comprehensive income	1,036	1,883
Total net assets	95,308	99,861
Total liabilities and net assets	116,356	119,221

(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]
[Quarterly consolidated statements of income]
[2nd Quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)	Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)
Net sales	36,050	37,047
Cost of sales	10,785	10,463
Gross profit	25,265	26,583
Selling, general, and administrative expenses	* 16,529	* 17,594
Operating income	8,735	8,989
Non-operating income		
Interest income	35	41
Dividend income	96	113
Insurance dividend income	21	23
Land and house rent received	20	20
Equity in earnings of affiliates	25	24
Other	30	42
Total non-operating income	229	265
Non-operating expenses		
Interest expenses	0	0
Provisions for damages	106	—
Other	0	0
Total non-operating expenses	106	0
Ordinary income	8,858	9,253
Extraordinary income		
Gain on sale of investment securities	0	14
Gain on sale of non-current assets	0	1
Total extraordinary income	1	15
Extraordinary loss		
Loss on retirement of non-current assets	9	4
Total extraordinary loss	9	4
Quarterly net income before taxes and adjustments	8,849	9,264
Income taxes—current	2,285	2,569
Income taxes—deferred	429	318
Total income taxes	2,714	2,887
Quarterly net income	6,134	6,376
Quarterly net income attributable to owners of parent	6,134	6,376

[Quarterly consolidated statements of comprehensive income]
[2nd Quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)	Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)
Quarterly net income	6,134	6,376
Other comprehensive income		
Valuation difference on available-for-sale securities	593	759
Remeasurements of defined benefit plans	87	87
Total other comprehensive income	680	846
Quarterly comprehensive income	6,815	7,223
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	6,815	7,223

(3) [Quarterly consolidated statements of cash flows]

(Unit: millions of yen)

	Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)	Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)
Cash flows from operating activities		
Quarterly net income before taxes and adjustments	8,849	9,264
Depreciation	1,730	1,753
Loss (gain) on sale of investment securities	(0)	(14)
Loss (gain) on sale of non-current assets	(0)	(1)
Loss on retirement of non-current assets	9	4
Increase (decrease) in provisions for stocks payment	20	8
Increase (decrease) in provisions for bonuses	(1,656)	(1,172)
Increase (decrease) in retirement benefit liabilities	100	141
Decrease (increase) in notes and accounts receivable– trade	(2,019)	(1,517)
Decrease (increase) in other assets	54	(113)
Increase (decrease) in accounts payable–trade	198	(438)
Increase (decrease) in other liabilities	(19)	(31)
Other	(154)	(215)
Subtotal	7,113	7,667
Interest and dividends received	138	158
Interest paid	(0)	(0)
Income taxes paid	(2,925)	(2,213)
Penalties paid	(11)	–
Cash flows from operating activities	4,314	5,611
Cash flows from investing activities		
Payments into time deposits	(2,700)	(2,700)
Proceeds from withdrawal of time deposits	1,700	1,700
Purchase of property, plant, and equipment	(398)	(338)
Purchase of intangible assets	(1,219)	(1,717)
Other	70	10
Cash flows from investing activities	(2,547)	(3,045)
Cash flows from financing activities		
Repayment of long-term loans payable	(35)	(35)
Proceeds from disposal of treasury stock	–	0
Purchase of treasury stock	(13)	(5)
Payment of dividends	(2,209)	(2,665)
Other	(65)	(70)
Cash flows from financing activities	(2,324)	(2,777)
Increase (decrease) in cash and cash equivalents	(557)	(211)
Cash and cash equivalents at beginning of year	26,620	28,793
Cash and cash equivalents at end of quarter	* 26,063	* 28,582

[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 403 million yen and 203,800 shares, respectively, as of the end of the current 2nd Quarter consolidated accounting period.

(Notes to quarterly consolidated balance sheets)

* Breakdown of inventories is as follows:

	Previous consolidated fiscal year (September 30, 2023)	Current 2nd Quarter consolidated accounting period (March 31, 2024)
Merchandise and finished goods	246 million yen	344 million yen
Work in progress	41 million yen	126 million yen
Raw materials and supplies	137 million yen	158 million yen

(Notes to quarterly consolidated statements of income)

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

	Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)	Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)
Salaries	6,030 million yen	6,322 million yen
Provisions for bonuses	2,743 million yen	3,130 million yen
Retirement benefit expenses	481 million yen	494 million yen
Provisions for stocks payment	20 million yen	12 million yen
Depreciation	316 million yen	333 million yen
Rent expenses	1,272 million yen	1,286 million yen

(Notes to quarterly consolidated statements of cash flows)

* The relationship between the balance of cash and cash equivalents at the end of quarter and account items stated in the quarterly consolidated balance sheets is as follows:

	Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)	Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)
Cash and deposits	29,363 million yen	31,882 million yen
Time deposits with deposit period longer than three months	(3,300 million yen)	(3,300 million yen)
Cash and cash equivalents	26,063 million yen	28,582 million yen

(Notes to shareholders' equity, etc.)

I. Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 16, 2022 Ordinary General Meeting of Shareholders	Common stock	2,210	42.00	September 30, 2022	December 19, 2022	Retained earnings

(Note) The total amount of cash dividends determined by resolution at the Ordinary General Meeting of Shareholders held on December 16, 2022, includes a cash dividend of 8 million yen for the stocks of the Company held by the BIP Trust.

(2) Dividends whose record dates fall within the current 2nd Quarter consolidated cumulative period but whose effective dates are after the end of the current 2nd Quarter consolidated accounting period

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 12, 2023 Meeting of the Board of Directors	Common stock	2,052	39.00	March 31, 2023	June 12, 2023	Retained earnings

(Note) The total amount of cash dividends determined by resolution at the Meeting of the Board of Directors held on May 12, 2023, includes a cash dividend of 8 million yen for the stocks of the Company held by the BIP Trust.

II. Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 15, 2023 Ordinary General Meeting of Shareholders	Common stock	2,669	51.00	September 30, 2023	December 18, 2023	Retained earnings

(Note) The total amount of cash dividends determined by resolution at the Ordinary General Meeting of Shareholders held on December 15, 2023, includes a cash dividend of 10 million yen for the stocks of the Company held by the BIP Trust.

(2) Dividends whose record dates fall within the current 2nd Quarter consolidated cumulative period but whose effective dates are after the end of the current 2nd Quarter consolidated accounting period

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 10, 2024 Meeting of the Board of Directors	Common stock	2,355	45.00	March 31, 2024	June 11, 2024	Retained earnings

(Note) The total amount of cash dividends determined by resolution at the Meeting of the Board of Directors held on May 10, 2024, includes a cash dividend of 9 million yen for the stocks of the Company held by the BIP Trust.

(Segment Information, etc.)

[Segment Information]

I. Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 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 Business	Local Governments Business	Printing Business	Total		
Net sales						
(1) Sales to outside customers	23,710	10,921	1,418	36,050	—	36,050
(2) Inter-segment sales or transfers	2	0	901	904	(904)	—
Total	23,713	10,921	2,320	36,955	(904)	36,050
Segment profit (loss)	6,233	2,562	(72)	8,724	11	8,735

(Notes) 1. Adjustments of segment profit of 11 million yen include amounts for elimination of inter-segment transactions and adjustment of inventory assets.

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

II. Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)

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 Business	Local Governments Business	Printing Business	Total		
Net sales						
(1) Sales to outside customers	24,624	11,029	1,393	37,047	—	37,047
(2) Inter-segment sales or transfers	13	0	761	774	(774)	—
Total	24,637	11,029	2,154	37,822	(774)	37,047
Segment profit (loss)	6,422	2,703	(145)	8,980	8	8,989

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

2. Segment profit (loss) is adjusted with the operating income 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 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)

(Unit: millions of yen)

	Reportable segment			Total
	Accounting Firm Business	Local Governments Business	Printing Business	
Revenue from computer services	7,984	4,219	—	12,204
Software sales	9,420	3,447	—	12,868
Revenue from consulting	3,603	1,361	—	4,965
Office equipment sales	2,161	1,891	—	4,053
Accounting supplies sales	540	—	—	540
Revenue from printing-related services	—	—	1,418	1,418
Sales to outside customers	23,710	10,921	1,418	36,050

Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)

(Unit: millions of yen)

	Reportable segment			Total
	Accounting Firm Business	Local Governments Business	Printing Business	
Revenue from computer services	8,315	4,407	—	12,722
Software sales	9,854	4,134	—	13,988
Revenue from consulting	3,722	754	—	4,476
Office equipment sales	2,218	1,733	—	3,952
Accounting supplies sales	513	—	—	513
Revenue from printing-related services	—	—	1,393	1,393
Sales to outside customers	24,624	11,029	1,393	37,047

(Earnings Per Share Information)

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

	Previous 2nd Quarter consolidated cumulative period (Started October 1, 2022; ended March 31, 2023)	Current 2nd Quarter consolidated cumulative period (Started October 1, 2023; ended March 31, 2024)
Quarterly net income per share	117.01 yen	122.28 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	6,134	6,376
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	6,134	6,376
Average number of common stocks outstanding (hundreds of shares)	524,248	521,466

(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 206,000 shares for the previous 2nd Quarter consolidated cumulative period and 205,376 shares for the current 2nd Quarter consolidated cumulative period.

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

(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 10, 2024.

(a) Total amount of cash dividends to be paid as interim dividends: 2,355 million yen

(b) Dividend per share: 45.00 yen

(c) Effective date of payment request and payment start date: June 11, 2024

(Note) Dividends are payable to the shareholders listed or recorded in the shareholders registry as of March 31, 2024.

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

None to be disclosed.

Quarterly Review Report of
Independent Auditors

May 13, 2024

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC

Tokyo Office

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

Pursuant to Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act, we have conducted a quarterly review of the quarterly consolidated financial statements presented in the Financial Information section, which comprise the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows, and notes of TKC Corporation applicable to the 2nd Quarter consolidated accounting period (from January 1, 2024, to March 31, 2024) and the 2nd Quarter consolidated cumulative period (from October 1, 2023, to March 31, 2024) of the consolidated fiscal year started October 1, 2023, and ending September 30, 2024.

Based on our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not properly represent, in all material respects, the financial position of TKC Corporation and its consolidated subsidiaries as of March 31, 2024, as well as their financial performance and cash flows for the 2nd 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]	May 13, 2024
[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 2nd Quarter of the 58th term (started January 1, 2024; ended March 31, 2024) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.