

Quarterly Report

(The 51st Term 1st Quarter)

Started October 1, 2016

Ended December 31, 2016

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi Prefecture, Japan

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[Quarterly Audit Report] [Written Conformation]

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[Document filed]	Quarterly Report
[Applicable law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	February 13, 2017
[Quarterly accounting period]	51st Term 1st Quarter (from October 1, 2016 to December 31, 2016)
[Company name]	株式会社TKC (<i>Kabushiki Kaisha TKC</i>)
[Company name in English]	TKC Corporation
[Title and name of representative]	Kazuyuki Sumi, Representative Director, President and Executive Officer
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Phone number]	028-648-2111
[Contact person]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer, Chief Director of Business Administration
[Contact address]	2-1 Ageba-cho, Shinjuku-ku, Tokyo
[Phone number]	03-3235-5511
[Contact person]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer, Chief Director of Business Administration
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

Section 1 [Corporate Information]

Part 1 [Corporate Overview]

1[Changes in key financial data, etc.]

Fiscal year		50th Term 1st quarter consolidated cumulative period	51st Term 1st quarter consolidated cumulative period	50th Term
Accounting period		Started October 1, 2015; ended December 31, 2015	Started October 1, 2016; ended December 31, 2016	Started October 1, 2015; ended September 30, 2016
Net sales	(Millions of yen)	14,065	13,423	57,750
Ordinary income	(Millions of yen)	2,547	1,626	7,604
Quarterly (current) net income attributable to owners of the parent	(Millions of yen)	1,720	1,082	4,770
Quarterly comprehensive income or comprehensive income	(Millions of yen)	2,064	1,890	3,958
Net assets	(Millions of yen)	63,726	65,421	64,556
Total assets	(Millions of yen)	74,873	77,658	81,116
Quarterly (current) net income per share	(Yen)	64.80	40.75	179.65
Quarterly (current) diluted net income per share	(Yen)	64.54	40.55	178.88
Equity ratio	(%)	83.1	82.3	77.7

(Notes) 1. Changes in key financial data of the Company are not stated in the quarterly consolidated financial statements.

2. Net sales do not include consumption tax and local consumption tax (hereinafter collectively referred to as "consumption taxes, etc.").

2 [Business description]

There is no significant change in the description of business operated by the TKC Group (i.e., TKC Corporation and its affiliated companies) for the current 1st quarterly consolidated cumulative period. There is no change in significant affiliated companies.

Part 2 [Business Overview]

1 [Risk factors of business, etc.]

There is no risk pertaining to new business operations, etc. arisen during the current 1st quarterly consolidated cumulative period. There is no significant change in risks regarding business operations, etc. described in the annual securities report of the previous fiscal year.

2 [Material agreements, etc. for management]

There is no decision or execution, etc. of material agreements, etc. for the management during the current 1st quarter consolidated accounting period.

3 [Analysis of financial conditions, operating results and cash flows]

I. Operating Results

The operating results for the current 1st quarter consolidated cumulative period (hereinafter, "the current 1st quarter") of the consolidated Group comprising of TKC Corporation and its five consolidated subsidiaries recorded a net sales of 13,423 million yen (decreased 4.6% in comparison to the previous 1st quarter consolidated cumulative period (hereinafter, "quarter-on-quarter"), operating income of 1,537 million yen (decreased 38.3% quarter-on-quarter), ordinary income of 1,626 million yen (decreased 36.2% quarter-on-quarter) and profit attributable to owners of parent of 1,082 million yen (decreased 37.1% quarter-on-quarter).

This was mainly attributable to the lack of demands for the Local Governments Business Division in relation to revision of the Basic Resident Register System, which increased in the previous fiscal year when My Number System was launched, despite the steady growth of orders for cloud services received by both the Accounting Firm and Local Governments Business Divisions.

Net sales for the current 1st quarter by business division are shown below.

1. Results of Operation of the Group for the 1st Quarter

(1) Net Sales of the Accounting Firm Business Division

- (i) Net sales of the Accounting Firm BD were 9,608 million yen (increased 4.9% quarter-on-quarter); operating income was 1,622 million yen (increased 23.4% quarter-on-quarter).
- (ii) Computer service sales increased 5.0% quarter-on-quarter. This was due to continuous growth from the previous fiscal year in the user base of cloud services such as the FX4 Cloud Integrated Accounting Information System for mid-sized companies, PX My Portal providing support for the appropriate management of the My Numbers, and Tax Accountants Office Management System (OMS).
- (iii) Software sales increased by 6.6% quarter-on-quarter. This was due to growth in the user base of FX4 Cloud and e21-Meister as well as tax return system such as inheritance tax and year-end adjustment, etc.
- (iv) Sales from consulting services decreased 7.4% quarter-on-quarter. This was due to decrease in revenue from client/server system launch support service and hardware maintenance service as a result of growth in the number of the users of FX4 Cloud system, etc.
- (v) Sales in PCs, servers and other hardware increased by 23.0% quarter-on-quarter. This was due to growth in the sales of PCs with Windows 10, which the Company started handling from the previous fiscal year.

(2) Net Sales of the Local Governments Business Division

- (i) Net sales of the Local Governments BD was 2,866 million yen (decreased 28.2% quarter-on-quarter); operating loss was 92 million yen (cf. operating income was 1,187 million yen in the previous 1st quarter).
- (ii) Sales from computer services increased by 7.8% quarter-on-quarter. This was caused by increase in service fees due to growth in the client agency base of the New Generation TASK Cloud, Convenience Store Certificate Issuing System and other services.
- (iii) Software sales decreased 60.4% quarter-on-quarter. This was due to the lack of operations to revise the system accompanying with the launch of My Number system, which were implemented during the previous fiscal year.
- (iv) Sales from consulting services increased by 22.2% quarter-on-quarter. This was due to growth in sales of operations to support the smooth implementation of new systems in connection with the transition to the New Generation TASK Cloud.

- (v) Sales in PCs, servers and other hardware increased by 194.8% quarter-on-quarter. This was caused by increase in sales of servers and network devices due to increase in installation of office equipment in connection with the transition to the New Generation TASK Cloud and a need to strengthen an information security system accompanying the launch of the My Number system.

(3) Net Sales of the Printing Business Division (Subsidiary: Tokyo Line Printer Company)

- (i) Net sales of the Printing BD was 949 million yen (increased 4.4% quarter-on-quarter); operating income was 2 million yen (cf. operating loss was 10 million yen in the previous 1st quarter).
- (ii) Sales of data printing service-related products increased by 7.4% quarter-on-quarter. This was due to winning large contract projects from government offices, despite lack of large once-off orders for direct mail production that the Company enjoyed during the previous fiscal year.
- (iii) Business form-related sales decreased by 3.2% quarter-on-quarter. This was due to continuous decline in the demands for business forms.

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

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

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

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

- (i) Policy and strategic targets of TKCNF

In TKCNF Policy Presentation held in January 2014, TKCNF added a new business objective being "providing support for the business continuity and prosperity of SMEs" to its existing business objectives, set a strategic target to be achieved in future as follows, and has worked actively towards such achievement.

Strategic targets

- 1) Number of TKC Member firms: Over 10,000 offices
- 2) Number of certified public tax accountants at TKC Member firms: 15,000 accountants
- 3) The "KFS Campaign": 500,000 companies for each project
 - K: (utilization of Keizoku MAS system)
 - F: (expansion of TKC's self-accounting systems)
 - S: (implementation of "Shomen-tempu (tax audit report)" (Article 33-2 of CPTA Act); attachment and disclosure of "Certificate of Bookkeeping Timeliness" in financial statements; diffusion of "Chusho Kaikei Yoryo (Guidelines for SME accounting)")
- 4) Number of TKC auditors conducting Field Audit: 20,000 auditors
- 5) Number of subscribers of TKC Corporate Defense Plan: 300,000 companies

- (ii) Important activity themes of TKCNF

TKCNF developed a roadmap to achieve these strategic goals under a universal theme, "Chance, Change and Challenge—Creating the Path to the Future. New Growth Strategy 2021 for TKC Accountants." The roadmap divides the years leading up to the 50th anniversary into 3 stages, and sets forth the four important activities for the

first stage as follows:

- 1) Enhance accounting leadership and contribute to the prosperity and success of companies;
- 2) Promote the attachment of tax audit reports and strive to deliver flawless tax accounting;
- 3) Improve the reliability of financial statements and strengthen ties with financial institutions;
- 4) Participate in activities to expand the membership base and work to vitalize the organization.

Such activities of TKCNF utilize the systems and services provided by the Company. The Company supports the activities of TKCNF and is actively engaged in the development and provision of computer services and software that are to the benefit of the prosperity and success of SMEs.

(2) TKC Management Strategy 2021

The Company announced the "TKC Management Strategy 2021" in January 2014. The strategy designed to help TKCNF achieve their strategic goals includes the Company's two priority initiatives to achieve over 10,000 TKC Member firms and 500,000 companies using TKC's self-accounting systems, and describes specific actions to be taken.

(i) Activities to achieve "500,000 firms using TKC self-accounting systems"

The Company focuses on promoting the use of its self-accounting systems FX2 and e21-Meister (hereinafter, "the FX series") which provide owners of SMEs the tools to understand the financial results of their business and to review the progress of their business plans in a timely manner.

Approximately 235,000 companies use the FX series as of December 31, 2016.

1) FinTech service for the clients of TKC Members

As part of the efforts to enhance the functionality of FX series, the Company started providing the FinTech service Data Receiving Functionality from Banks and Credit Card Companies to the clients of TKC Members starting June 2016. This function enables the clients to automatically receive transaction data of internet banking services offered by more than 99% of financial institutions (corporate account)* across Japan as well as statements of major credit cards, and to easily and accurately post journal entries based on preset rules.

During the current 1st quarter, the Company promoted the use of the FX series by making appeals the more efficient journal entries by utilizing this function, considering the fact that about 40% (according to our survey) of all journal entries conducted by SMEs were related to bank transactions. As a result of these activities, the number of the users of this function totaled nearly 11,000 companies as of December 31, 2016.

* City Banks, Regional Banks, Second Regional Banks, and Shinkin Banks

2) FinTech service for financial institutions

In October 2016, the Company started providing the TKC Monitoring Information Service, our FinTech service for financial institutions. With this service, TKC Member firms provide, upon request of their clients, financial data, whose credibility, substantiality, and completeness are confirmed by TKC Members by monthly Filed Audits, saved at TKC Internet Service Center, to financial institutions. This service has been adopted by many financial institutions, as the reliability of monthly trail balances and financial reports provided by the service being highly acclaimed.

During the current 1st quarter, the Company promoted the use of the service by supporting the holding of a council regarding utilization of the service by the TKC Regional Associations across Japan and financial institutions. As a result of the effort, this service is adopted by approximately 180 financial institutions, and the service is in use at 101 financial institutions as of December 31, 2016.

(ii) Activities to achieve "Over 10,000 TKC Member Firms"

TKCNF is actively engaged in its Project 9501 in order to increase TKC membership to 9,501 or more offices by the end of September 2017. The Company is working closely with TKCNF in soliciting new members to achieve this goal.

During the current 1st quarter, we actively solicited nearly 120 non-member certified public tax accountants who had participated in the TKC New Members' Forum 2016 (held in October 2016) to be a TKC Member.

From December 2016, the Company hosted seminars to discuss theme of "Expansion of the client base and income" targeting new practitioners of accounting firms as well as seminars for medium- and large-scale accounting firms to contemplate the theme of firm management utilizing TKC's latest system (including the Data Receiving Functionality from Banks and Credit Card Companies, TKC Monitoring Information Service, and TKC Documented Evidence Storage Service).

As a result of these activities, the total number of TKC Member firms and TKC Members counted approximately 9,400 and 11,000, respectively (as of December 31, 2016), by achieving the goal of the 1st stage (9,333 TKC Member firms) set by TKCNF.

(iii) Self-accounting promotion activities targeting mid-size companies (Promotion of FX4 Cloud)

The Company offers an integrated accounting information system FX4 Cloud designed for medium-scale corporations (with annual turnover of 500 million to 5 billion yen) to support TKC Members in their effort to retain good-standing clients and expand their client base. In the current 1st quarter, the Company was engaged in various activities based on the concepts of: 1) more efficient accounting work by utilizing the Data Receiving Functionality from Banks and Credit Card Companies; 2) more efficient accounting work through utilizing the coordinated journal entries functionality which loads data from business systems of other companies; and 3) multi-divisional business performance control and MR design tools.

We also hosted the FX4 Cloud Step-up Workshop targeting TKC Member firms' staff who have successfully introduced the system to one or more clients in order to support such firms to conduct their promotional activities.

As a result of these activities, the number of FX4 Cloud users totaled approximately 9,300 companies as of December 31, 2016.

(3) Support activities for the TKCNF 7000 project

The TKCNF launched the 7000 Project in April 2014 targeting to carry out 7,000 cases of the Support Project for the Drafting of Business Improvement Plans, and encouraged TKC Members, who are among authorized support organizations, to participate in this project. As a result, TKCNF has been highly acclaimed for its activities relating to the project, particularly noted in "Project evaluation report concerning SMEs revitalization support operations implemented by authorized support organization in 2015" released by the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN in September 2016.

In order to support these activities, the Company established the TKC 7000 Project Promotion Support Headquarters, and supported strengthening ties with credit guarantee corporations and financial institution.

(4) Activities to "support the preparation of highly reliable financial statements based on timely and accurate bookkeeping"

(i) Issuance of Certificate of Bookkeeping Timeliness

The Company issues a Certificate of Bookkeeping Timeliness in an aim to improve reliability of financial statements prepared by TKC Members and to provide a passport for smooth financing to the clients of TKC Members. This utilizes the features of the Company's financial accounting processing at TKC data centers, which

prohibits any retroactive insertions, deletions and corrections to past data, and TKC Corporation proves, as a third party, that TKC Members have visited clients on a monthly basis to provide guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed in a timely manner.

The Certificate of Bookkeeping Timeliness has been highly acclaimed by financial institutions across Japan, and it is used to assess credibility for financial products such as "Kiwame" introduced by The Bank of Tokyo-Mitsubishi UFJ as well as for other loan plans and preferential interest rates at many financial institutions in Japan including the Shoko Chukin Bank.

(ii) Support activities for diffusion of "Chusho Kaikei Yoryo (Guidelines for SME accounting)"

TKCNF recommends that clients of TKC Members use Chusho Kaikei Yoryo for the accounting guideline to conduct their accounting operations. This Chusho Kaikei Yoryo has been developed based on the ideas including: 1) accounting useful to grasp the status of business management; 2) accounting reliable to provide information to stakeholders (such as financial institutions); 3) accounting in compliance with the Ordinance on Company Accounting as well as in harmony with taxation system; and 4) accounting not imposing excessive burden on SMEs. In accordance with the public notices issued by five Ministries, namely, Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism, in August 2012, support agencies for business innovation (certified public tax accountants and financial institutions) certified in accordance with the Act on Support for Strengthening Management Functions for SMEs are encouraged to use Chusho Kaikei Yoryo (or Guidelines for SME accounting).

The Company continuously provide support to organize the surrounding environment and strengthen ties with other SME support organizations in order to support the activities of TKCNF for diffusion and use of it.

(5) Promotion of Tax Accountants Office Management System (OMS)

The Company provides the Tax Accountants Office Management System (OMS) in an aim to improve the productivity and operational quality of TKC Member firms. During the current 1st quarter, the number of users totaled about 6,500 firms as of December 31, 2016, due to the condition that the use of OMS is a prerequisite for the use of TKC Monitoring Information Service, the introduction of the Service triggering an increase in the user base of OMS.

(6) Support for the expansion of client base of TKC Members serving large-size companies

By utilizing the TKC system, the Company contributes to the rationalization of tax and accounting operations of large enterprises, mainly listed companies, and are actively working to make these companies clients of TKC Members.

The Company actively promotes the TKC Consolidated Group Solution package for large-size companies (which includes: the eCA-DRIVER consolidated accounting system; the eConsoliTax consolidated tax payment system, the eTaxEffect tax effect accounting system, the ASP1000R electronic tax filing system for corporations, the FX5 integrated accounting information system, the e-TAX series electronic tax filing system, the FAManager fixed asset management system, the documented evidence storage service (TDS), and the OBMonitor oversea business monitoring system, etc.).

During the current 1st quarter, the Company collaborated with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,240 members as of December 31, 2016) in hosting seminars to discuss themes such as "streamlining the taxation-related affairs," "improving productivity of accounting operations" and "electronic filing" in an aim to improve recognition and brand image of the system. We also collaborated with the TKCNF's Oversea Expansion Support Committee (consisting of approximately 480 members as of December 31, 2016) in hosting seminars to contemplate the theme of "latest information on accounting and taxation systems in

China and India, and the characteristics of their local accounting software." In addition, we made comprehensive proposals targeting the companies using our system by leveraging the advantages of the Company's systems, which encompass all aspects of account settlements and tax declaration on corporate group level.

As a result of these activities, the number of companies using the TKC Consolidated Group Solution counted approximately 2,500 corporate groups (or about 16,600 companies) as of December 31, 2016, the service being adopted by more than 75% of 100 top Japanese listed companies in sales.

(7) Expansion of markets for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 278,000 judicial precedents, etc. (as of December 31, 2016) covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently announced as well as precedents collected through our own channel, being the largest database of its kind in Japan. The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 900,000 bibliographic information references with links to 48 of the Databases of Professional Journals, with total items of information now exceeding 2,330,000. As of December 31, 2016, the Library is used by over 16,600 institutions, including TKC Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

In the current 1st quarter, the Company promoted the sales of the TKC Law Library basic service set along with practical contents on traffic accident-related and business-related legal affairs. We successfully hosted the Practical Training Seminars for Law Firms targeting lawyers (including in-house lawyers) with less than five years experience. The Company also promoted to sell set items in combination with "Interpretations on Supreme Court Precedent," "NBL (New Business Law)" and "References to Commercial-related Judicial Affairs" in an aim to bolster sales to attorneys, corporate legal offices and other practitioners of the law.

In the academic field, we continued to provide highly cost-efficient TKC Law School Educational Support System—Law School Package to law schools that are struggling in the tough managing environment. This package is currently in use at 67 schools. In addition, the exercise systems included in the package to aid students in self-study (Basic Skill Tests, Study Drills of Short Answer Questions from Past Exams and the Essay Writing Seminar), as well as the effective use of "Learning Support NAVI" and "Study Drills of Past Exams" provided new functions enabling more students to create study plans, check their progress and study the necessary precedents in the lead up to the bar exam, leading to the increasing number of users.

As for the sales of TKC Law Library (Overseas Edition) through agents, we have received inquiries from courts, governmental agencies, universities and law firms in South Korea, Taiwan, China and other Asian countries as well as other countries including Germany, the U.K. and the U.S. As of December 31, 2016, over 60 licenses are in use worldwide, with further growth anticipated in the future, particularly in the Asian regions.

(8) Establishment of SMEs' Business Succession Support Division

It is pointed out in "Current status and issues relating to business succession" (April 2016) released by the Small and Medium Enterprise Agency that the smooth succession of business is crucial for SMEs, which make up 99.7% of Japanese companies, in order to prevent possible loss of their employment, technology and know-how in the future, showing the fact that generational change of business managers of SMEs has not been well conducted.

In light of the abovementioned status, the Company established the SMEs' Business Succession Support Division as of October 1, 2016 to support the business succession of TKC Members' clients.

3. Business Activities and Operating Results of the Local Governments Business Division

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

the welfare of residents by improving administrative efficiency.

(1) Development and provision of cloud services designed for local municipalities

The Company provides TKC Government Cloud Service to municipalities nationwide. This Cloud Service consists of the TASK Cloud Service which supports a range of services for residents, mission-critical functions and information services within agencies, and the TASK Outsourcing Service which supports massive batch output and processing of tax papers and other documents.

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers and shared by all municipalities across Japan (offered both for individual use and shared use by multiple organizations), and serves as a model for local government cloud systems that the Japanese government seeks to establish. As of December 31, 2016, approximately 130 organizations nationwide have adopted our services, including the Saitama Municipal Information System Standardization Promotion Council (18 municipalities), the Ibaraki Municipal Cloud-based Mission-critical Task Operation Council (4 municipalities), the Gunma Agatsuma Municipal Information System Standardization Promotion Council (6 municipalities), the Noda Village, Fudai Village and Otsuchi Town Municipal Cloud (3 municipalities), and the Kawazu Town, Minami-izu Town, Matsuzaki Town and Nishi-izu Town Municipal Cloud Promotion Council (4 municipalities).

During the current 1st quarter, the Company was engaged in enhancing the function of mission-critical operational systems (such as Basic Resident Register System, taxation and welfare), the New Generation TASK Cloud (compatible with My Number system)*, for the preparation of the shared information system being built between Japanese and local governments starting from July 2017 as well as in supporting our client organizations for the preparation of operational testing. In order to allow all our client organizations to deal with the shared information system smoothly, aside from the support for our new customers, we conducted the transition works to the New Generation TASK Cloud for our client organizations who use the previous series (TASK.NET System) and completed the works for approximately 120 organizations as of December 31, 2016. As a result, the New Generation TASK Cloud will be in full use at all our client organizations who utilize the Company's mission-critical operational systems by the beginning of January 2017.

* The New Generation TASK Cloud (compatible with My Number system) is the brand name of the mission-critical operational system of the TASK Cloud Service.

(2) Expansion of cloud services for residents

In response to the notice by the Minister of Internal Affairs and Communications "Review regarding improvement of services for residents utilizing My Number cards and vitalization of regions (request)" issued in September 2016, more and more municipalities are considering to adopt the "Issuance of Certificates at Convenience Store" service.

In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System as the system to realize this service. Our extensive track record as the first cloud service for municipalities across Japan has attracted the interest of many local governments including government ordinance-designated cities, and 55 municipalities have adopted the TASK Cloud Convenience Store Certificate Issuing System as of December 31, 2016.

(3) Support for electronic filing of local taxes

The Company is an authorized contractor of the Council for the Digitization of Local Taxes, and provides cloud-based service for electronic filing of local taxes and the electronic tax payment offered by the Council. We also develop and provide data connection services to connect the individual tax systems of various municipalities with the Council's platform.

These services are proposed in collaboration with 46 system vendors with whom we have signed alliance partner

agreements, and the Support Service for TASK Cloud Electronic Filing of Local Taxes is currently used by more than 720 agencies which account for approximately 40% of all municipalities (as of December 31, 2016).

Our TASK Cloud Taxation Document Image Management Service is drawing attention as means of preventing information leakage caused by paper media, as well as streamlining taxation-related affairs and reducing associated costs. This service is used by over 70 municipalities as of December 31, 2016.

(4) Support for the development of standardized local public accounting

Local governments are in principle required to organize the system of accrual basis accounting (double entry bookkeeping) to complement the current cash basis accounting (single entry bookkeeping), and to prepare and disclose their financial documents utilizing such system by the end of March 2016.

The Company provides the TASK Cloud Public Accounting System and the associated TASK Cloud Fixed Assets Control System to comply with this requirement. During the current 1st quarter, the Company newly developed the utilizing function of financial documents (balance sheets and administrative cost statements) as one of the functions of TASK Cloud Public Accounting System and started offering it from December 2016. The TASK Cloud Public Accounting System is adopted by about 150 agencies as of December 31, 2016, being acclaimed of its easy-to-use system as achieving "accurate automatic journal entries" by utilizing patent technology.

(5) Compliance with revised laws and systems

The Company added new functions to related systems in response to the shared information system being built between Japanese and local governments as well as growing social awareness for the protection of personal information.

We also organized the New Products Planning and Promotion Office as of October 1, 2016 to start research and development on electronic administration services which utilize new social infrastructure such as My Number card and Myna Portal.

4. Business Activities and Operating Results of the Printing Business Division

The Group's Printing BD is engaged in the printing of business forms and manufacturing and sales of service and products around its data printing services.

In the field of business form printing, although demand of business form are generally on a downward trend, the drop was minute in the current 1st quarter year thanks to regular orders from major clients.

Data printing service sales increased due to an increase in orders received for articles relating major government contract projects, direct mail productions for other client companies, and business process outsourcing such as invoices and notice operations, resulting in a 4.4% increase in sales quarter-on-quarter.

II. Qualitative Information on the Consolidated Financial Position

1. Assets

Total assets as of the end of the current 1st quarter consolidated accounting period amounted to 77,658 million yen, a 3,457 million yen decrease compared to 81,116 million yen as of the end of the previous consolidated fiscal year.

(1) Current assets

Current assets as of the end of the current 1st quarter consolidated accounting period amounted to 25,240 million yen, a 4,313 million yen decrease compared to 29,554 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,660 million yen decrease in Cash and deposits, an 845 million yen decrease in Accounts receivable - trade, and a 611 million yen decrease in Deferred tax assets included in Other.

(2) Non-current assets

Non-current assets as of the end of the current 1st quarter consolidated accounting period amounted to 52,417 million yen, an 855 million yen increase compared to 51,562 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 1,165 million yen in Investment securities, despite a 268 million yen decrease in Long-term deferred tax assets included in Other.

2. Liabilities

Total liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 12,236 million yen, a 4,323 million yen decrease compared to 16,559 million yen as of the end of the previous consolidated fiscal year.

(1) Current liabilities

Current liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 8,972 million yen, a 4,446 million yen decrease compared to 13,419 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,133 million yen decrease in Income taxes payable, a 1,571 million yen decrease in Provisions for bonuses, and an 804 million yen decrease in Accounts payable - trade.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 3,263 million yen, a 123 million yen increase compared to 3,140 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 153 million yen increase in Long-term lease obligations included in Other.

3. Net assets

Total net assets as of the end of the current 1st quarter consolidated accounting period amounted to 65,421 million yen, an 865 million yen increase compared to 64,556 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 801 million yen in Valuation difference on available-for-sale securities.

Equity ratio as of the end of the current 1st quarter consolidated accounting period was 82.3%, a 4.5% increase compared to the ratio of 77.7% as of the end of the previous consolidated fiscal year.

III Operational and Financial Challenges Facing the TKC Group

There is no significant change in challenges faced by the TKC Group during the current 1st quarterly consolidated cumulative period.

IV Research and Development Activities

An amount of 16 million yen was spent on R&D in the current 1st quarter consolidated cumulative period.

There is no significant change in the status of research and development activities of the TKC Group during the

current 1st quarter consolidated cumulative period

Part 3 [Company Information]

1 [Company's stock, etc.]

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

(i) [Total number of shares]

Class	Total number of shares authorized to be issued (shares)
Common stock	60,000,000
Total	60,000,000

(ii) [Issued shares]

Class	Number of shares issued as of the end of 1st quarter accounting period (shares) (December 31, 2016)	Number of shares issued as of the filing date (shares) (February 13, 2017)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	26,731,033	26,731,033	First Section of Tokyo Stock Exchange	Number of the share unit: 100 shares
Total	26,731,033	26,731,033	—	—

(2) [Share subscription rights, etc.]

The share subscription rights issued during the current 1st quarter accounting period are as follows:

Date of resolution	November 8, 2016
Number of share subscription rights (number)	181
Number of own share subscription rights among the above (number)	—
Class of shares to be issued upon exercise of share subscription rights	Common stocks
Number of shares to be issued upon exercise of share subscription rights (stock)	18,100 (Note) 1
Amount to be paid in upon exercise of share subscription rights (yen)	1
Period for exercise of share subscription rights	From December 13, 2016 To December 12, 2051
Price of issuing shares and amount of capitalization upon exercise of share subscription rights (yen)	Price of issuing shares 2,558 (Note) 2 Amount of capitalization 1,279
Conditions for exercise of share subscription rights	(Note) 3
Matters concerning the transfer of share subscription rights	The acquisition of share subscription rights through transfer shall require the approval of the Board of Directors of the Company.
Matters concerning substitute payments	—
Matter concerning the grant of share subscription rights upon organizational restructuring	(Note) 4

(Notes) 1 When performing a share split (including allotment of common shares of the Company without contribution; the same shall apply to all share splits hereinafter described) or share consolidation with respect to common shares of the Company after the allotment date of share subscription rights, the number of shares granted will be adjusted using the following formula:

Number of shares granted after adjustment = Number of shares granted before adjustment x ratio of share split or share consolidation

Fractions of less than one share resulting from the foregoing adjustment shall be disregarded.

In addition to the above, when the number of shares granted needs to be adjusted after the allotment date due to reasons other than those listed above, such as when the Company is engaged in a merger, a company split, a share exchange, or for any other reason where such an adjustment is required, the

- Company may adjust the number of shares granted as deemed necessary by the Board of Directors.
2. Price of issuing shares is the sum of the amount to be paid in upon subscription and the amount to be paid in upon exercise of share subscription rights.
 3. Conditions for exercise of share subscription rights
 - (1) A holder of share subscription rights may only exercise the share option rights within 10 days (or the next business day if the 10th day falls on a holiday) from the date following the day on which such holder loses his/her position as a Director or Auditor or as an employee of the Company. However, if a person who has lost his/her position as a Director or Auditor or as an employee of the Company is appointed as a Director of the Company or employed by the Company within 10 days after having lost his/her original position, such person shall not be entitled to exercise the share subscription rights.
 - (2) Notwithstanding (1) above, should a proposal for the approval of a merger agreement where the Company would become dissolved, a proposal for the approval of a company split agreement or a company split plan where the Company would become a split company, or a proposal for the approval of a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary were to be approved at a General Meeting of Shareholders of the Company (or if a Board of Directors resolution is passed in case a resolution of General Meeting of Shareholders is not required), share subscription rights may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where share subscription rights of a restructured company are to be issued in accordance with the matters concerning the issuing of share subscription rights upon reorganization.
 - (3) Any other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of share subscription rights.
 4. If the Company is engaged in a merger with another (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type split or incorporation-type split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to be a wholly owned subsidiary) (hereinafter collectively referred to as a "restructuring transaction"), share subscription rights in the entity set forth in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter referred to as the "restructured company") shall be issued to the holders of the share subscription rights remaining in effect at a time immediately before the effective date of the restructuring transaction (hereinafter respectively referred to as the date an absorption-type merger coming into effect, as the date the new corporation being incorporated following a consolidation-type merger, as the date an absorption-type split coming into effect, as the date the new corporation being incorporated following an incorporation-type company split, as the date a share exchange coming into effect, and the date the new joint-stock corporation being incorporated following a share transfer) (hereinafter referred to as the "remaining share subscription rights"); provided, however, that such rights may be granted only if provisions for issuing the share subscription rights of the restructured company in accordance with the items described below are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type split agreement, an incorporation-type split plan, a share exchange agreement or a share transfer plan.
 - (1) The number of share subscription rights of the restructured company to be issued:
The same number of share subscription rights as the number of remaining share subscription rights held by respective holders of share subscription rights shall be issued.
 - (2) Class of shares of the restructured company to be issued upon exercise of share subscription rights:
Common shares of the restructured company are issued.
 - (3) The number of shares of the restructured company to be issued upon exercise of subscription rights to shares:
It is determined in proportion to the class and number of shares to be issued upon exercise of share subscription rights defined in Note 1 above upon considering the conditions, etc. of the restructuring transactions.
 - (4) The amount of assets to be contributed upon exercise of share subscription rights:
The amount of assets to be contributed upon exercise of share subscription rights shall be the one to be obtained by multiplying the amount to be paid in after restructuring as prescribed below by the number of shares of the restructured company to be issued upon exercise of each share subscription right as determined in accordance with (3) above. The exercise amount to be paid in after restructuring shall be 1 yen per share of the restructured company to be issued upon exercise of each share subscription right to be issued.
 - (5) Period in which share subscription rights can be exercised:
The period shall start on the start date of the exercise period listed in the "Period to exercise share

- subscription rights" in the table above, or the date on which the restructuring transactions come into effect, whichever is the later, and shall last until the expiration date of the period in which share subscription rights can be exercised.
- (6) Matters concerning increases in capital stock and the capital reserve occurring when issuing shares upon exercise of share subscription rights:
- (i) The amount of capital to be increased shall be one half of the amount of the maximum increase in capital calculated in accordance with the provisions of Article 17, Paragraph 1 of the Ordinance on Company Accounting. Fractions less than 1 yen resulting from these calculations shall be rounded up.
 - (ii) The amount of capital reserve to be increased shall be the amount calculated by subtracting the amount of capital increase stipulated in (i) above from the amount of maximum increase in capital described in (i) above.
- (7) Restrictions on the acquisition of share subscription rights through transfers:
Acquisition of share subscription rights through transfers shall require the approval by resolution of the Board of Directors of the restructured company.
- (8) Other conditions for exercise of share subscription rights:
To be determined in conformity with Note 3 above.
- (9) Provisions for the acquisition of share subscription rights:
Share subscription rights may be acquired without compensation on a date separately specified by the Board of Directors should the following resolutions, (i), (ii), (iii), (iv), or (v) be approved at a General Meeting of Shareholders of the Company (or through a resolution of a Meeting of Board of Directors of the Company, or upon the decision of an executive officer entrusted with such a matter pursuant to the provisions set forth in Article 416, Paragraph 4 of the Companies Act in case a resolution of a General Meeting of Shareholders of the Company is not required):
- (i) Resolution approving a merger agreement where the Company would become a dissolved company;
 - (ii) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
 - (iii) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;
 - (iv) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of all shares issued by the Company through a transfer;
 - (v) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of the class of shares to be issued upon exercise of subscription rights to shares, or a provision to acquire all of such class of shares by resolution of the General Meeting of Shareholders of the Company.

(3)[Exercise of bonds, etc. with share subscription rights containing a clause for exercise price adjustment, etc.]
Not applicable.

(4)[Rights Plan]
Not applicable.

(5)[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)
From October 1, 2016 to December 31, 2016	—	26,731,033	—	5,700	—	5,409

(6)[Major shareholders]

As the current quarterly accounting period is the first quarter accounting period, there is no item to be stated.

(7) [Voting rights]

"Information on voting rights" described in the below table is based on the shareholder registry as of the most recent record date (i.e., September 30, 2016) due to unavailability of the details of the shareholder registry as of the end of the current 1st quarterly accounting period.

(i) [Issued shares]

As of September 30, 2016

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 183,500	—	—
Shares with full voting right (others)	Common stock 26,507,200	265,072	—
Shares less than one share unit	Common stock 40,333	—	—
Total number of issued shares	26,731,033	—	—
Total voting rights held by all shareholders	—	265,072	—

(Note) The number shown in the column of "Shares with full voting right (others)" includes 600 shares registered in the name of Japan Securities Depository Center, Inc. The number shown in the column of "Number of voting rights" includes 6 shares of full voting rights held under the name of Japan Securities Depository Center, Inc.

(ii) [Treasury stock, etc.]

As of September 30, 2016

Name or Denomination of owner	Address of owner	Number of shares held under own name (shares)	Number of shares held under other name (shares)	Total number of owned shares (shares)	Ratio of total number of owned shares to total number of issued shares (%)
TKC Corporation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	178,000	—	178,000	0.67
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	—	5,500	0.02
Total	—	183,500	—	183,500	0.69

2 [Officers]

After submission of the annual securities report for the previous fiscal year, there is no change in the officers during the current quarter cumulative period.

Part 4 [Financial Information]

1. Method of Preparing Quarterly Consolidated Financial Statements

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

2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 1st quarterly consolidated accounting period (from October 1, 2016 to December 31, 2016) and the 1st quarterly consolidated cumulative period (October 1, 2016 to December 31, 2016) have been audited by Ernst & Young ShinNihon LLC pursuant to the provision of Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act.

1 Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of September 30, 2016)	Current 1st quarter consolidated accounting period (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	19,552	16,892
Notes and accounts receivable - trade	6,335	5,531
Inventories	631	499
Other	3,069	2,353
Allowance for doubtful accounts	(36)	(35)
Total current assets	29,554	25,240
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,554	6,449
Land	6,607	6,607
Other, net	1,743	1,866
Total property, plant and equipment	14,906	14,923
Intangible assets	3,712	3,698
Investments and other assets		
Investment securities	20,216	21,384
Long-term time deposits	7,000	7,000
Guarantee deposits	1,303	1,304
Other	4,422	4,106
Total investments and other assets	32,943	33,795
Total non-current assets	51,562	52,417
Total assets	81,116	77,658
Liabilities		
Current liabilities		
Accounts payable - trade	2,602	1,797
Shore-term loans payable	111	121
Accounts payable - other	4,191	2,981
Income taxes payable	2,203	70
Provisions for bonuses	2,853	1,282
Other	1,457	2,719
Total current liabilities	13,419	8,972
Non-current liabilities		
Long-term loans payable	295	277
Net defined benefit liabilities	1,583	1,600
Other	1,261	1,386
Total non-current liabilities	3,140	3,263
Total liabilities	16,559	12,236

(Unit: Millions of yen)

	Previous consolidated fiscal year (As of September 30, 2016)	Current 1st quarter consolidated accounting period (As of December 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,419	5,409
Retained earnings	52,606	52,621
Treasury shares	(350)	(291)
Total shareholders' equity	63,374	63,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(339)	461
Total accumulated other comprehensive income	(339)	461
Subscription rights to shares	176	178
Non-controlling interests	1,345	1,342
Total net assets	64,556	65,421
Total liabilities and net assets	81,116	77,658

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

(Quarterly consolidated statements of income)

(1st quarter consolidated cumulative period)

(Unit: Millions of yen)

	Previous 1st quarter consolidated cumulative period (Started October 1, 2015; ended December 31, 2015)	Current 1st quarter consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)
Net sales	14,065	13,423
Cost of sales	4,640	4,738
Gross profit	9,425	8,685
Selling, general and administrative expenses	6,932	7,148
Operating income	2,493	1,537
Non-operating income		
Interest income	9	9
Dividend income	23	50
Dividend income of insurance	14	11
Land and house rent received	9	9
Share of profit of entities accounted for using equity method	-	1
Other	7	7
Total non-operating income	63	90
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	0	0
Share of loss of entities accounted for using equity method	7	-
Other	0	0
Total non-operating expenses	9	1
Ordinary income	2,547	1,626
Extraordinary income		
Total extraordinary income	-	-
Extraordinary losses		
Loss on retirement of non-current assets	5	0
Total extraordinary losses	5	0
Quarterly profit before income taxes	2,542	1,625
Income taxes - current	426	27
Income taxes - deferred	398	514
Total income taxes	825	541
Quarterly Profit	1,717	1,083
Quarterly profit (loss) attributable to non-controlling interests	(3)	1
Quarterly profit attributable to owners of parent	1,720	1,082

(Quarterly consolidated statements of comprehensive income)
(1st quarter consolidated cumulative period)

(Unit: Millions of yen)

	Previous 1st quarter consolidated cumulative period (Stared October 1, 2015; ended December 31, 2015)	Current 1st quarter consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)
Quarterly profit	1,717	1,083
Other comprehensive income		
Valuation difference on available-for-sale securities	347	806
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	347	806
Quarterly comprehensive income	2,064	1,890
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	2,066	1,884
Quarterly comprehensive income attributable to non-controlling interests	(1)	6

[Notes]

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the current 1st quarterly consolidated cumulative period are not prepared. Depreciation (including depreciation of intangible assets) for the 1st quarterly consolidated cumulative period is stated as follows:

	Previous 1st quarterly consolidated cumulative period (Started October 1, 2015; ended December 31, 2015)	Current 1st quarterly consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)
Depreciation	742 million yen	598 million yen

(Notes to equity, etc.)

I. Previous 1st quarterly consolidated cumulative period (Started October 1, 2015; ended December 31, 2015)

Dividend payments

Resolution	Class of share	Total amount of cash dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
December 22, 2015 Ordinary general meeting of shareholders	Common stock	1,009	38	September 30, 2015	December 24, 2015	Retained earnings

II. Current 1st quarterly consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)

Dividend payments

Resolution	Class of share	Total amount of cash dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
December 22, 2016 Ordinary general meeting of shareholders	Common stock	1,062	40	September 30, 2016	December 26, 2016	Retained earnings

(Segment information, etc.)

[Segment information]

I Previous 1st quarter consolidated cumulative period (started October 1, 2015; ended December 31, 2015)

Information on net sales and profit or loss by reportable segments

(Unit: Millions of yen)

	Reportable segment				Adjustments (Notes) 1	Amounts in quarterly consolidated statements of income (Notes) 2
	Accounting Firm BD	Local Government s BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	9,164	3,992	909	14,065	—	14,065
(2) Inter-segment sales or transfers	0	0	350	351	(351)	—
Total	9,164	3,992	1,259	14,417	(351)	14,065
Segment profit or loss ((): loss)	1,315	1,187	(10)	2,491	1	2,493

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

2. Segment profit is adjusted with the operating profit presented in the Quarterly Consolidated Statements of Income.

II Current 1st quarter consolidated cumulative period (started October 1, 2016; ended December 31, 2016)

Information on net sales and profit or loss by reportable segments

(Unit: Millions of yen)

	Reportable segment				Adjustments (Notes) 1	Amounts in quarterly consolidated statements of income (Notes) 2
	Accounting Firm BD	Local Government s BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	9,608	2,866	949	13,423	—	13,423
(2) Inter-segment sales or transfers	1	—	338	339	(339)	—
Total	9,609	2,866	1,287	13,763	(339)	13,423
Segment profit or loss ((): loss)	1,622	(92)	2	1,532	4	1,537

(Notes) 1. Adjustments of segment profit of 4 million yen include amounts for elimination of inter-segment transactions and for adjustments of inventory assets.

2. Segment profit is adjusted with the operating profit presented in the Quarterly Consolidated Statements of Income.

(Earnings Per Share Information)

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

	Previous 1st quarterly consolidated cumulative period (Started October 1, 2015; ended December 31, 2015)	Current 1st quarterly consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)
(1) Quarterly net income per share	64.80 yen	40.75 yen
(Basis for the calculation)		
Quarterly net income attributable to owners of the parent (Millions of yen)	1,720	1,082
Amount not attributable to common shareholders (Millions of yen)	—	—
Quarterly net income attributable to common shareholders of the parent (Millions of yen)	1,720	1,082
Average number of common shares outstanding (thousands of shares)	26,551	26,553
(2) Quarterly diluted net income per share	64.54 yen	40.55 yen
Parent company (Basis for the calculation)		
Quarterly net income adjustments attributable to owners of the parent (Millions of yen)	—	—
Number of common shares increased (thousands of shares)	104	133
Outline of the diluted shares being not included in the calculation of quarterly diluted net income per share due to no dilutive effect and having been significantly changed since the end of the previous consolidated fiscal year	—	—

(Important Subsequent Events)

Not applicable.

2 [Other]

Not applicable.

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

Not applicable.

**Independent Auditors' Quarterly
Audit Report**

February 13, 2017

To: TKC Corporation

The Board of Directors

Ernst & Young
ShinNihon LLC

Designated Limited Liability Partner
Executing Partner

Certified Public Accountant Yasuo Sekiya Seal

Designated Limited Liability Partner
Executing Partner

Certified Public Accountant Yuichi Noda Seal

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the quarterly consolidated financial statements of the consolidated fiscal year of the Company (started from October 1, 2016 and ending September 30, 2017) for the 1st quarterly consolidated accounting period (from October 1, 2016 to December 31, 2016) and for the 1st quarterly consolidated cumulative period (from October 1, 2016 to December 31, 2016) stated in [Financial Information], namely, the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income and notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with accounting principles generally accepted in Japan, which responsibilities include those for designing and operating an internal control system as the management deems necessary in order to prepare and properly present the quarterly consolidated financial statements that are free from material misstatement due to fraud or error.

Auditor's Responsibility

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

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

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

Auditor's Conclusion

Based on our quarterly review, nothing has come to our attention that causes us to believe that TKC Corporation and its consolidated subsidiaries' financial conditions as of December 31, 2016 and operating results for the 1st quarterly consolidated cumulative period ending December 31, 2016 included in the quarterly consolidated financial statements referred to above have not been properly presented, in all material respects, in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan.

Interest

Our firm and the executing partners have no interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End of document.

(Notes) 1. The above is a digitized version of the original copy of the quarterly audit report, the original of which is stored by TKC Corporation (the Company filing this quarterly report).

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

[Front Cover]

[Document filed]	Written confirmation
[Applicable law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	February 13, 2017
[Company name]	株式会社TKC (<i>Kabushiki Kaisha TKC</i>)
[Company name in English]	TKC Corporation
[Title and name of representative]	Kazuyuki Sumi, Representative Director, President and Executive Officer
[Title and name of chief financial officer]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer, Chief Director of Administration
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

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

Kazuyuki Sumi, Representative Director, President and Executive Officer of the Company and Hitoshi Iwata, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report for the 51st Term (started October 1, 2016; ended December 31, 2016) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

Not applicable.