

# Quarterly Report

(51st Term 2nd Quarter)

Started January 1, 2017

Ended March 31, 2017

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi Prefecture

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Section 1 [Corporate Information]  
 Part 1 [Corporate Overview]  
 1[Changes in key financial data,etc]

Fiscal year		50th Term 2nd quarter consolidated cumulative period	51st Term 2nd quarter consolidated cumulative period	50th Term
Accounting period		Started October 1, 2015; ended March 31, 2016	Started October 1, 2016; ended March 31, 2017	Started October 1, 2015; ended September 30, 2016
Net sales	(Millions of yen)	29,708	30,207	57,750
Ordinary income	(Millions of yen)	5,251	4,870	7,604
Quarterly (current) net income attributable to owners of the parent	(Millions of yen)	3,364	3,306	4,770
Quarterly comprehensive income or comprehensive income	(Millions of yen)	2,537	4,155	3,958
Net assets	(Millions of yen)	64,198	67,419	64,556
Total assets	(Millions of yen)	78,454	82,929	81,116
Quarterly (current) net income per share	(Yen)	126.71	124.54	179.65
Quarterly (current) diluted net income per share	(Yen)	126.18	123.98	178.88
Equity ratio	(%)	79.9	79.5	77.7
Cash flows from operating activities	(Millions of yen)	3,247	1,897	9,181
Cash flows from investing activities	(Millions of yen)	△3,814	△3,350	△7,022
Cash flows from financing activities	(Millions of yen)	△1,037	△1,386	△2,225
Cash and cash equivalents balance at end of quarter	(Millions of yen)	15,014	13,713	16,552

Fiscal year		50th Term 2nd quarter consolidated accounting period	51st Term 2nd quarter consolidated accounting period
Accounting period		Started January 1, 2016; ended March 31, 2016	Started January 1, 2017; ended March 31, 2017
Quarterly net income per share	(Yen)	61.91	83.79

(Notes) 1. Changes in key financial data,etc 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 2nd quarter 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 2nd quarter 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 of material agreements, etc. for the management during the current 2nd quarter consolidated accounting period.

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

#### I. Operating Results

The operating results for the current 2nd quarter consolidated cumulative period (hereinafter, "the current 2nd quarter") of the consolidated Group comprising of TKC Corporation and its five companies such as consolidated subsidiaries recorded a net sales of 30,207 million yen (increased 1.7% in comparison to the previous 2nd quarter consolidated cumulative period (hereinafter, "quarter-on-quarter"), operating income of 4,758 million yen (decreased 8.3% quarter-on-quarter), ordinary income of 4,870 million yen (decreased 7.3% quarter-on-quarter), and profit attributable to shareholders of the parent company of 3,306 million yen (decreased 1.7% quarter-on-quarter).

This was mainly due 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 2nd quarter by business division are shown below.

#### 1. Results of Operation of the Group for the 2nd Quarter

##### (1) Net Sales of the Accounting Firm Business Division

- (i) Net sales of the Accounting Firm BD was 20,632 million yen (increased 3.8% quarter-on-quarter); operating income was 3,993 million yen (increased 10.3% quarter-on-quarter).
- (ii) Computer service sales increased 4.5% 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 5.3% 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 9.2% 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 hardware increased by 6.2% quarter-on-quarter. This was due to growth in the sales of file servers, which the Company started handling as equipment to store administrative document files for accounting firms.

## (2) Net Sales of the Local Governments Business Division

- (i) Net sales of the Local Governments BD was 7,724 million yen (decreased 4.0% quarter-on-quarter); operating income was 723 million yen (decreased 53.1% quarter-on-quarter).
- (ii) Sales from computer services increased by 6.2% quarter-on-quarter. This was caused by ( increase in service fees due to growth in the user base of the New Generation TASK Cloud, Convenience Store Certificate Issuing System and other services.
- (iii) Software sales decreased 26.3% quarter-on-quarter. This was due to the lack of orders in relation to a major change in the law such as 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 decreased 9.5% quarter-on-quarter. This was due to the lack of sales associated with the revision of the local tax electronic declaration system, which sold well during the previous period but not in the current period.
- (v) Sales in hardware increased by 127.2% 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 a need to strengthen an information security system (a strengthen measures by municipalities for 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 1,850 million yen (increased 3.8% quarter-on-quarter); operating income was 33 million yen (increased 74.8% quarter-on-quarter).
- (ii) Sales of data printing service-related products increased by 3.9% quarter-on-quarter. This was due to winning large contract projects from government offices and affiliate organizations, and large orders for direct mail productions from other client companies.
- (iii) Business form-related sales decreased by 1.2% quarter-on-quarter. This was due to continuous decline in the demands for business forms.

## 2. Important matters relating to the entire Company

### (1) Establishment of the Customer Support Center (CSC)

The Company started to construct a new office building "Customer Support Center" in Kanuma-shi, Tochigi, planning to start its operation in April 2018. This Center will be the center location of "TKC System My Support," the service provided by the Company responding to client inquiries in relation to the system, which service was previously conducted by TKC Member Firms. By strengthening the support system for clients who utilize the systems of the Company, TKC Member firms will be able to concentrate on engaging in self-accounting at ease.

In conjunction with this, the Company plans to increase the number of staff for telephone support operations up to 300 by March, 2018, which operations have been conducted by 100 staff so far.

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

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: "Management of electronic data processing centers to defend the business

domain and maintain control over the fate of accounting firms") and works under close ties with the TKC National Federation, which consists of 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) Activity policy 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, and has worked actively towards such achievement.

During the 1st stage period (from January 2014 to December 2016), TKCNF actively engaged in activities under a theme, "Enhancing the collective capability of TKC Member Firms and expanding the membership base."

TKCNF set important activity themes for the 2nd stage period (from January 2017 to December 2018) stated as below, and has worked actively towards such achievement.

-Important Activity 1: Engage in activities under the three core themes to fulfil the social role.

- a) Preparing highly reliable financial statements in accordance with Chusho Kaikei Yoryo (Guidelines for SME accounting) and diffusing this activity to financial institutions for enlightenment,
- b) Promoting "Shomen-tempu" (performing tax accounting operations based on the principle of no taxation without law),
- c) Promoting the use of "self-accounting" (providing support for the prosperity and success of SMEs).

-Important Activity 2: Exhibit the collective capability of TKC Member Firms and establish a high value added system.

Actively conducting the 3 activities stated below for client companies in collaboration with local financial institutions.

- a) "TKC monitoring information service"
- b) "Support for business improvement"
- c) "Establishment of business" "Business succession" "Support for overseas expansion" etc.

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) Support activities for the important activities of TKCNF

In order to support these activities of TKCNF, the Company is actively engaged in the activities based on the important activity themes of "promoting self-accounting through the TKC method (promotion of the FX series)"; "retaining good-standing clients (promotion of the FX4 Cloud)"; "soliciting membership (promotion of the admission to TKCNF)"; and "promoting the use of the Tax Accountants Office Management System (OMS)."

##### (i) Promoting self-accounting through the TKC method (promotion of the FX series)

The Company has supported for approximately 1,500 of TKC Member Firms to hold "self-accounting promotion meetings" in order for them to autonomously conduct "self-accounting promotion through the TKC method." At these meetings, information regarding the enhanced functions of the FX series is provided and a training session for utilizing such information is held as well as information regarding an example case of promotion is shared. The firms that hold the meetings on a continuing basis show a significant trend to have successfully introduced the FX series to their client, resulting an increase of 137.7% quarter-on-quarter.

As a result of these activities, the number of FX series users totaled approximately 240,000 companies as of

March 31, 2017.

(ii) Retaining good-standing clients (promotion of the FX4 Cloud)

- 1) 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 2nd quarter, the Company focused on conducting activities based on the concepts of "more efficient accounting work by utilizing the Data Receiving Functionality from Banks and Credit Card Companies", "more efficient accounting work through utilizing the coordinated journal entries functionality which loads data from business systems of other companies," and "business performance control by division and level, and utilization of Management Report design tools".

We also hosted the FX4 Cloud Step-up Workshop and in-house training sessions at offices of TKC Members assisting them to introduce the FX4 Cloud to their client companies.

As a result of these activities, the number of "FX4 Cloud" users totaled approximately 9,900 companies as of March 31, 2017.

2) Business support activities for corporate groups

In order to support TKC Members to expand their client base and the number of FX series users, the Company offers business management instruction provided by TKC Members and support activities to strengthen the management power of an entire group for corporate groups such as a franchise chain and voluntarily chain.

As a part of these activities, The Company, in collaboration with Lotas Co.,Ltd., started on April 11 to provide training sessions conducted by TKC Members and consulting services including individual consultations for the members of Japan Lotas Association.

(iii) 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 2nd quarter, The Company continuously solicited non-member accountants who had participated in the TKC New Members' Forum (held in November 2016) to be a TKC Member as we did in the previous quarter, as well as hosted management seminars as stated below for accounting firms to promote to be a member of TKCNF.

- a) Seminars for medium- and large-scale non-member accounting firms to contemplate the theme of high value added 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),
- b) Seminars to contemplate the theme of "expansion of the client base and income" targeting new practitioners of accounting firms, and
- c) Seminars to propose a business model for a successful accounting firm, targeting certified public accountants who plan to start their own business.

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 March 31, 2017).

(iv) 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 2nd quarter, The Company hosted the Self-accounting Step-up Workshop through TKC method [for operational use] Firm Management (OMS), participated by 178 people from 152 accounting firms. As a result of these activities, the number of OMS users totaled about 6,600 firms.

### (3) Initiatives for FinTech

#### (i) FinTech service for the clients of TKC Members

The Company strive for promoting the use of the FinTech service Data Receiving Functionality from Banks and Credit Card Companies for the clients of TKC Members, which service started June 2016 as a new function of the FX series.

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 journal rules.

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 12,000 companies as of March 31, 2017.

In addition, we promote initiatives toward an API (Application Programming Interface) cooperation with The Bank of Tokyo-Mitsubishi UFJ and Joyo Bank in order to further improve convenience of the function.

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

#### (ii) FinTech seivce for financial institutions

We focus on promoting to increase the use of the "TKC Monitoring Information Service", our FinTech service for financial institutions, started in October 2016.

With this service, TKC Member Firms provide, upon request of their clients, financial data, whose credibility, substantiality, and completeness are confirmed by TKC Member Firms 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 trial balances and financial reports, etc. provided by the service being highly acclaimed, for example, the use of the service being a prerequisite for preferential interest rates of the loan plan "Taikoban" introduced by Chukyo Bank.

During the current 2nd quarter, the Company promoted the use of the service by supporting the holding of councils 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 220 financial institutions as of March 31, 2017, and 170 financial institutions started to accept the financial data.

### (4) Promotional activities utilizing the Support Project for Introducing IT for Improvement in Productivity of Services, etc.

On January 27, 2017, The Ministry of Economy, Trade and Industry started accepting an application for the Support Project for Introducing IT for Improvement in Productivity of Services etc. This Support Project provides a subsidy for SMEs to utilize IT tools including software and services for their business in an aim to support to improve the productivity of their operations.

The Company took this opportunity to propose TKC Member firms to use the FX series or OMS by utilizing this Support Project as well as provided detailed information for the preparation and submission of an application for the Support Project.

### (5)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 the Guidelines for SME accounting (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, etc.) 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 provides 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.

(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 overseas business monitoring system, etc.).

During the current 2nd quarter, the Company collaborated with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,240 members as of March 31, 2017) in hosting a large seminar to explain "Tax reform" by inviting staff from Taxation Bureau of the Ministry of Finance as a lecturer as well as hosting seminars to discuss themes such as "latest trend of the taxation system" and "improving productivity of accounting operations." We also collaborated with the TKCNF's Oversea Expansion Support Committee (consisting of approximately 500 members as of March 31, 2017) in hosting seminars to contemplate the theme of "Preventing and revealing the unlawful activities of overseas subsidiaries." In addition, we promoted and introduced a variety of services and multiple systems targeting the companies using our system by leveraging the advantages of the Company's systems including non-consolidated filing, consolidated tax payment and tax effect accounting, 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 17,500 companies) as of March 31, 2017, the service being adopted by more than 75% of 100 top Japanese listed companies in sales. More than 800 TKC Members have been appointed for a system consultant by these companies.

(7)Expansion of markets for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 281,000 judicial precedents, etc. (as of March 31, 2017) 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 904,000 bibliographic information references with links to 50 of the Databases of Professional Journals, with total items of information now exceeding 2,350,000. As of March 31, 2017, 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 2nd quarter, the Company promoted the sales of the practical contents of TKC Law Library by specifically packaging the contents for targeting customers (i.e., "the law firm pack" for law firms and "the corporate law pack" for companies). In March 2017, we launched the labor law related portal site "Labor Law EX+" co-developed with one of our business partners, Roudou Kaihatsu Kenkyukai Co.,Ltd., in an aim to create a new sales channel and to expand sales of the contents, targeting the members of the study group of labor law as well as the users of TKC Law Library.

In the academic field, we offered 67 law schools an educational support program based on the use of TKC Law School Educational Support System as well as supported them to be able to apply for the Public Support Program for Law Schools Concerning the Revision of Budget Distribution. In addition, the exercise systems included in the system 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 Precedents" provided 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 March 31, 2017, over 60 licenses are in use worldwide, with further growth anticipated in the future, particularly in the Asian regions.

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

The Local Governments BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 2: "Management of electronic data processing centers to improve the administrative efficiency of local governments") and offers specialized information services 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 March 31, 2017, approximately 130 organizations nationwide have adopted our services.

During the current 2nd 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, the trial operation of the system being scheduled to start from July 2017 as well as in supporting our client organizations for the preparation of comprehensive 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 approximately 120 organizations who use the previous series (TASK.NET System) and completed the works for all of the organizations as of the beginning of January, 2017. As a result, the same system (the New Generation TASK Cloud) is in full use at all our client organizations. This initiative is unique to the Company, not being conducted by any other company.

\* 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 56 municipalities have adopted the TASK Cloud Convenience Store Certificate Issuing System as of March 31, 2017.

#### (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 March 31, 2017).

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 80 municipalities as of March 31, 2017.

#### (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 2017.

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 2nd 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. The TASK Cloud Public Accounting System is adopted by about 150 agencies as of March 31, 2017, 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 utilizing it as a core place for research, study and development on electronic administration services which utilize new social infrastructure such as My Number card and Myna Portal.

As a part of these initiatives, we were certified by the Minister of Internal Affairs and Communications for the first certified company in the program of "the utilization of My Number cards by private sectors" initiated by the Ministry, and it was notified as of March 10. We will start utilizing it for "verification or permission for access to a security room" and "verification or permission for handling personal information" from this summer, in an aim to confirm the practicality of this service and to provide it for our clients in future.

#### 5. 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 2nd quarter period 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 the steady growth of regular orders for business process outsourcing such as invoices and notice operations, resulting in a 3.8% increase in sales quarter-on-quarter.

## II. Financial Position

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

### 1. Assets

Total assets as of the end of the current 2nd quarter consolidated accounting period amounted to 82,929 million yen, a 1,813 million yen increase 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 2nd quarter consolidated accounting period amounted to 28,607 million yen, a 946 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 2,839 million yen decrease in Cash and deposits, a 126 million yen decrease in Finished good inventory, and a 108 million yen decrease in Advances paid included in Other, despite a 2,154 million yen increase in Accounts receivable - trade.

#### (2) Non-current assets

Non-current assets as of the end of the current 2nd quarter consolidated accounting period amounted to 54,322 million yen, a 2,759 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 3,191 million yen in Investment securities and a 562 million yen increase in Construction in progress account included in Other, despite a 1,000 million yen decrease in Long-term deposits.

## 2. Liabilities

Total liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 15,509 million yen, a 1,050 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 2nd quarter consolidated accounting period amounted to 12,302 million yen, a 1,117 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 1,165 million yen decrease in Accounts payable and a 776 million yen decrease in Advances received included in Other, despite an 824 million yen increase in Accounts payable - trade.

### (2) Non-current liabilities

Non-current liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 3,207 million yen, a 67 million yen increase compared to 3,140 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an 82 million yen increase in Retirement benefit liability.

## 3. Net assets

Total net assets as of the end of the current 2nd quarter consolidated accounting period amounted to 67,419 million yen, a 2,863 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 2,239 million yen in Retained earnings and an increase of 833 million yen in Valuation difference on available-for-sale securities.

Equity ratio as of the end of the current 2nd quarter consolidated accounting period was 79.5%, a 1.8% increase compared to the ratio of 77.7% as of the end of the previous consolidated fiscal year.

## III. Cash Flows

The Balance of the cash and cash equivalents as of the end of the current 2nd quarter consolidated accounting period amounted to 13,713 million yen, a 2,839 million yen decrease compared to the end of the previous consolidated fiscal year.

The cash flow overview and its main cause during the current 2nd quarter consolidated accumulative period are stated below:

### (1) Cash flows from operating activities

Cash flow from operating activities increased by 1,879 million yen (decreased 1,350 million yen compared to the same quarter of the prior year).

This was mainly attributable to the posting of 4,893 million yen as quarterly net profit before income taxes and adjustments.

(2) Cash flows from investment activities

Cash flow from operating activities decreased by 3,350 million yen (decreased 464 million yen compared to the same quarter of the prior year).

This was mainly attributable to the payment of 2,000 million yen for purchasing investment securities.

(3) Cash flows from financial activities

Cash flow from financial activities decreased by 1,386 million yen (increase 349 million yen compared to the same quarter of the prior year).

This was mainly attributable to the payment of 1,060 million yen for the dividends (40 yen dividends per share) for the previous fiscal year (ended on the end of September, 2016). (Unquote)

IV Operational and Financial Challenges Facing the TKC Group

There is no significant change in challenges faced by the TKC Group during the current 2nd quarter consolidated cumulative period.

IV Research and Development Activities

An amount of 14 million yen was spent on R&D in the current 2nd quarter consolidated cumulative period.

There is no significant change in the status of research and development activities of the TKC Group during the current 2nd 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 2nd quarter accounting period (shares) (March 31, 2017)	Number of shares issued as of the filing date (shares) (May 12, 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.]

Not applicable.

(3)[Exercise, etc. of bonds 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 January 1, 2017 to March 31, 2017	—	26,731,033	—	5,700	—	5,409

(6)[Major shareholders]

As of March 31, 2017

Names of shareholders	Address	Number of owned shares (Thousands of shares)	Ratio of total number of owned shares to total number of issued shares (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	3,652	13.7
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	2,569	9.6
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	1,618	6.1
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	1,246	4.7
Masaharu Iizuka	Utsunomiya-shi, Tochigi	1,128	4.2
STATE STREET BANK AND TRUST COMPANY (Standing proxy: The Hong Kong and Shanghai Banking Corporation, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	930	3.5
The Master Trust Bank of Japan ,Ltd. (Trust)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	694	2.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	666	2.5
Kazuaki Iizuka	Kamakura-shi, Kanagawa	648	2.4
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	598	2.2
Sompo Japan Nipponkoa Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	598	2.2
Total	—	14,350	53.7

(7) [Voting rights]  
(i)[Issued shares]

As of March 31, 2017

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 230,100	—	—
Shares with full voting right (others)	Common stock 26,461,500	264,615	—
Shares less than one share unit	Common stock 39,433	—	—
Total number of issued shares	26,731,033	—	—
Total voting rights held by all shareholders	—	264,615	—

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

(ii) [Treasury stock, etc.]

As of March 31, 2017

Name 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 Tsurutamach, Utsunomiya-shi, Tochigi	224,600	—	224,600	0.84
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	—	5,500	0.02
Total	—	230,100	—	230,100	0.86

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 (Cabinet Office Ordinance No.64 of August 10,2007).

### 2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 2nd quarter consolidated accounting period (from January 1, 2017 to March 31, 2017) and the 2nd quarter consolidated cumulative period (from October 1, 2016 to March 31, 2017) 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 2nd quarter consolidated accounting period (As of March 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	19,552	16,713
Notes and accounts receivable - trade	6,335	8,518
Inventories	※ 631	※ 537
Other	3,069	2,874
Allowance for doubtful accounts	△36	△36
Total current assets	29,554	28,607
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,554	6,642
Land	6,607	6,922
Other, net	1,743	2,441
Total property, plant and equipment	14,906	16,005
Intangible assets	3,712	3,627
Investments and other assets		
Investment securities	20,216	23,413
Long-term time deposits	7,000	6,000
Guarantee deposits	1,303	1,304
Other	4,422	3,971
Total investments and other assets	32,943	34,688
Total non-current assets	51,562	54,322
Total assets	81,116	82,929
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,602	3,426
Shore-term loans payable	111	151
Accounts payable - other	4,191	3,025
Income taxes payable	2,203	1,716
Provisions for bonuses	2,853	2,792
Other	1,457	1,189
Total current liabilities	13,419	12,302
Non-current liabilities		
Long-term loans payable	295	259
Net defined benefit liabilities	1,583	1,665
Other	1,261	1,282
Total non-current liabilities	3,140	3,207
Total liabilities	16,559	15,509

	(Unit: Millions of yen)	
	Previous consolidated fiscal year (As of September 30, 2016)	Current 2nd quarter consolidated accounting period (As of March 31, 2017)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,419	5,409
Retained earnings	52,606	54,845
Treasury stock	△350	△558
<b>Total shareholders' equity</b>	<b>63,374</b>	<b>65,395</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△339	492
<b>Total accumulated other comprehensive income</b>	<b>△339</b>	<b>492</b>
Subscription rights to shares	176	178
Non-controlling interests	1,345	1,353
<b>Total net assets</b>	<b>64,556</b>	<b>67,419</b>
<b>Total liabilities and net assets</b>	<b>81,116</b>	<b>82,929</b>

(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, 2015; ended March 31, 2016)	Current 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)
Net sales	29,708	30,207
Cost of sales	10,469	10,936
Gross profit	19,238	19,271
Selling, general and administrative expenses	※ 14,051	※ 14,512
Operating income	5,187	4,758
Non-operating income		
Interest income	19	15
Dividend income	23	50
Dividend income of insurance	17	11
Land and house rent received	18	20
Share of profit of entities accounted for using equity method	-	3
Other	13	12
Total non-operating income	92	114
Non-operating expenses		
Interest expenses	3	2
Foreign exchange losses	-	0
Share of loss of entities accounted for using equity method	25	-
Other	0	0
Total non-operating expenses	28	2
Ordinary income	5,251	4,870
Extraordinary income		
Gains on sale of non-current assets	10	0
Reversal of asset retirement obligations	-	23
Total extraordinary income	10	23
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on disposal of non-current assets	24	0
Total extraordinary losses	25	0
Quarterly profit before income taxes	5,236	4,893
Income taxes - current	2,025	1,573
Income taxes - deferred	△155	0
Total income taxes	1,869	1,574
Quarterly net Profit	3,366	3,318
Quarterly net profit attributable to non-controlling interests	2	12
Quarterly net profit attributable to owners of parent	3,364	3,306

(Quarterly consolidated statements of comprehensive income)  
(2nd quarter consolidated cumulative period)

(Unit: Millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2015; ended March 31, 2016)	Current 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)
Quarterly net profit	3,366	3,318
Other comprehensive income		
Valuation difference on available-for-sale securities	△828	836
Share of other comprehensive income of entities accounted for using equity method	△0	0
Total other comprehensive income	△828	837
Quarterly comprehensive income	2,537	4,155
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	2,539	4,139
Quarterly comprehensive income attributable to non-controlling interests	△1	16

## (3)[ Quarterly consolidated statements of cash flows]

(単位：百万円)

	Previous 2nd consolidated cumulative period (Started October 1, 2015; ended March 31, 2016)	Current 2nd consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)
<b>Cash flows from operating activities</b>		
Net income before taxes and adjustments	5,236	4,893
Depreciation	1,308	1,418
Gains on sale of non-current assets (Δgain)	Δ9	Δ0
Loss on retirement of non-current assets	24	0
Reversal of asset retirement obligations	—	Δ23
Change in provisions for bonuses (Δdecrease)	271	Δ61
Change in provision for retirement benefits (Δdecrease)	84	82
Change in trade receivables (Δincrease)	Δ2,144	Δ2,959
Change in other assets (Δincrease)	190	198
Change in trade payable (Δdecrease)	356	931
Change in other liabilities (Δdecrease)	Δ933	Δ581
Other	32	8
Subtotal	4,417	3,908
Interest and dividends received	36	78
Interest paid	Δ3	Δ2
Income taxes paid	Δ1,204	Δ2,088
Cash flows from operating activities	3,247	1,897
<b>Cash flows from investing activities</b>		
Payments into time deposits	Δ1,500	Δ1,500
Proceeds from withdrawal of time deposits	4,700	2,500
Purchase of property, plants and equipment	Δ1,124	Δ1,653
Purchase of intangible assets	Δ777	Δ702
Purchase of investment securities	Δ6,162	Δ2,000
Gain on redemption of investment securities	1,000	—
Other	49	6
Cash flows from investing activities	Δ3,814	Δ3,350
<b>Cash flows from financing activities</b>		
Increase/decrease in short-term loans payable(Δdecrease)	40	40
Repayment of long-term loans payable	Δ35	Δ35
Purchase of treasury stock	Δ0	Δ268
Dividends paid	Δ1,008	Δ1,060
Dividends paid to minority shareholders	Δ8	Δ9
Other	Δ24	Δ52
Cash flows from financing activities	Δ1,037	Δ1,386
Change in cash and cash equivalents (Δdecrease)	Δ1,604	Δ2,839
Cash and cash equivalents at beginning of quarter	16,619	16,552
Cash and cash equivalents at end of quarter	* 15,014	* 13,713



[Notes]

(Quarterly consolidated balance sheet)

※ Breakdown of inventory assets is as follows:

	Previous consolidated fiscal year (As of September 30, 2016)	Current 2nd quarter consolidated accounting period (As of March 31, 2017)
Finished good inventory	360 million yen	233 million yen
Work in progress	112 million yen	153 million yen
Raw materials and supplies	158 million yen	149 million yen

(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, 2015; ended March 31, 2016)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)
Salaries	4,741 million yen	5,016 million yen
Provisions for bonuses	2,350 million yen	2,438 million yen
Retirement benefit expenses	315 million yen	301 million yen
Depreciation	256 million yen	285 million yen
Rent expenses	1,046 million yen	1,050 million yen
Research and development expenses	54 million yen	14 million yen

(Notes to quarterly consolidated statements of cash flows)

※ Relationship between the quarterly ending balance of cash and cash equivalents and account items stated in the quarterly consolidated balance sheets is stated as below.

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2015; ended March 31, 2016)	Current 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)
Cash and deposits	18,014 million yen	16,713 million yen
Time deposits with deposit period greater than three months	△3,000 million yen	△3,000 million yen
Cash and cash equivalents	15,014 million yen	13,713 million yen

(Notes to equity, etc.)

I. Previous 2nd quarter consolidated cumulative period (Started October 1, 2015; ended March 31, 2016)

(1) Dividend payments

Resolution	Class of share	Total amount of cash dividends (Millions of 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

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

Resolution	Class of share	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
May 13, 2016 Ordinary general meeting of shareholders	Common stock	1,062	40	March 31, 2016	June 13, 2016	Retained earnings

II. Current 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)

(1) Dividend payments

Resolution	Class of share	Total amount of cash dividends (Millions of 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

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

Resolution	Class of share	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
May 10, 2017 Ordinary general meeting of shareholders	Common stock	1,060	40	March 31, 2017	June 12, 2017	Retained earnings

(Segment information, etc.)

[Segment information]

I. Previous 2nd quarter consolidated cumulative period (started October 1, 2016; ended March 31, 2017)

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 Governments BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	19,883	8,042	1,782	29,708	-	29,708
(2) Inter-segment sales or transfers	1	0	798	800	△800	-
Total	19,885	8,043	2,580	30,509	△800	29,708
Segment profit or loss	3,620	1,544	19	5,184	2	5,187

(Notes) 1. Adjustments of segment profit of 2 million yen include amounts for elimination of inter-segment transactions and for adjustments, etc. of inventory assets.

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

II Current 2nd quarter consolidated cumulative period (started October 1, 2016; ended March 31, 2017)

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 Governments BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	20,632	7,724	1,850	30,207	-	30,207
(2) Inter-segment sales or transfers	2	-	795	797	△797	-
Total	20,635	7,724	2,646	31,005	△797	30,207
Segment profit or loss	3,993	723	33	4,751	7	4,758

(Notes) 1. Adjustments of segment profit of 7 million yen include amounts for elimination of inter-segment transactions and for adjustments of inventory assets, etc.

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

(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 2nd quarter consolidated cumulative period (Started October 1, 2015; ended March 31, 2016)	Current 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)
(1) Quarterly net income per share	126.71 yen	124.54 yen
(Basis for the calculation)		
Quarterly net income attributable to owners of the parent (Millions of yen)	3,364	3,306
Amount not attributable to common shareholders (Millions of yen)	—	—
Quarterly net income attributable to common shareholders of the parent (Millions of yen)	3,364	3,306
Average number of common shares outstanding (thousands of shares)	26,551	26,547
(2) Quarterly diluted net income per share	126.18 yen	123.98 yen
(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)	111	119
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]

The resolution regarding the current interim dividends was adopted at the Board of Directors held on May 10, 2017, stated as follows.

- (a) Total amount of cash dividends by the interim dividends      1,060 million yen
- (b) Dividend per share      40.00 yen
- (c) Effective date for payment claim and commencement date for payment      June 12, 2017

(Note) The dividends are payable to the shareholders listed or recorded on the Register of shareholders as of March 31, 2017.

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

Not applicable.

**Independent Auditors' Quarterly  
Audit Report**

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May 12, 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 2nd quarter consolidated accounting period (from January 1, 2017 to March 31, 2017) and for the 2nd quarter consolidated cumulative period (October 1, 2016 to March 31, 2017) stated in [Financial Information], namely, the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows 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 March 31, 2017 and operating results and cash flow for the 2nd quarter consolidated cumulative period ending March 31, 2017 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.

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(Notes) 1. The above is a digitized version of the original copy of the quarterly audit report, the original of which is stored by TKC Corporation (the Company filing this quarterly report).  
2. XBRL data is not included in the scope of this quarterly 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]	May 12, 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 2nd quarter (started January 1, 2017; ended March 31, 2017) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

Not applicable.