

Quarterly Report

(52nd Term 1st Quarter)

Started October 1, 2017

Ended December 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		51st Term 1st quarter consolidated cumulative period	52th Term 1st quarter consolidated cumulative period	51st Term
Accounting period		Started October 1, 2016; ended December 31, 2016	Started October 1, 2017; ended December 31, 2017	Started October 1, 2016; ended September 30, 2017
Net sales	(millions of yen)	13,423	14,664	59,705
Ordinary income	(millions of yen)	1,626	2,524	8,792
Quarterly (current) net income attributable to owners of parent	(millions of yen)	1,082	1,698	6,071
Quarterly comprehensive income or comprehensive income	(millions of yen)	1,890	2,248	7,097
Net assets	(millions of yen)	65,421	69,603	68,892
Total assets	(millions of yen)	77,658	81,794	85,428
Quarterly (current) net income per share	(yen)	40.75	64.38	229.13
Quarterly (current) diluted net income per share	(yen)	40.55	64.12	228.16
Equity ratio	(%)	82.3	83.1	78.8

(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 1st quarter consolidated cumulative period. There is no change in significant affiliated companies.

The Company established TKC Customer Support Service Co., Ltd. in October 2017. However, this company is excluded from the scope of consolidation and the scope of equity method, because its full-scale business operation will start only after April 2018 and it is therefore immaterial for the current quarter.

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 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 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 companies such as consolidated subsidiaries recorded a net sales of 14,664 million yen (increased 9.2% in comparison to the previous 1st quarter consolidated cumulative period (hereinafter, "quarter-on-quarter")), operating income of 2,429 million yen (increased 58.0% quarter-on-quarter), ordinary income of 2,524 million yen (increased 55.3% quarter-on-quarter), and net income attributable to owners of parent of 1,698 million yen (increased 56.9% quarter-on-quarter).

This was mainly due to the steady growth of orders for cloud services received by both the Accounting Firm and Local Governments Business Divisions, as well as the revision of the Basic Resident Register System in relation to the interaction of information for the My Number System, boosting the order to the Local Governments Business Division.

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

1. Results of operation of the TKC Group for the current 1st quarter

(1) Net sales of the Accounting Firm Business Division

(i) Net sales of the Accounting Firm BD totaled 10,146 million yen (increased 5.6% quarter-on-quarter); operating income was 2,000 million yen (increased 23.3% quarter-on-quarter).

(ii) Computer service sales increased 4.9% quarter-on-quarter. This was due to continuous growth from the previous quarter in the user base of cloud services such as the FX4 Cloud integrated accounting information system for mid-sized companies, the PX My Portal providing support for the appropriate management of the My Numbers, and the Tax Accountants Office Management System (OMS).

(iii) Software sales increased by 8.7% quarter-on-quarter. This is the result of the growing number of users of the Inheritance Tax Declaration Form Preparation System (TPS8000) as more people now paying the inheritance tax due to the tax reform, and the increase in the number of users of the FX4 Cloud and the e21-Meister continuing from the previous quarter.

(iv) Sales from consulting services decreased 15.6% 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 the FX4 Cloud system, etc.

(v) Sales in hardware decreased by 7.4% quarter-on-quarter. This was due to the decreasing demand for servers as the transition to the cloud services is making progress.

(2) Net sales of the Local Governments Business Division

(i) Net sales of the Local Governments BD totaled 3,548 million yen (increased 23.8% year-on-year); operating income was 455 million yen (the previous 1st quarter recorded the operating loss of 92 million yen).

(ii) Computer service sales increased 9.1% quarter-on-quarter. This was driven by the increased sales from the orders in connection with the 48th general election of members of the House of Representatives, and the increase in the number of users of such systems as the Convenience Store Certificate Issuing System and the Taxation Document Image Management Service.

(iii) Software sales increased by 73.0% quarter-on-quarter. This increase was driven by the revision of the Basic Resident Register System in connection with the interaction of information for the My Number System, and the system revision projects in response to the transfer of the administrative responsibilities for the National Health Insurance to prefectures, as well as the increasing number of users of mission-critical systems and public accounting systems.

(iv) Sales from consulting services increased 1.9% quarter-on-quarter. This was driven by the introduction of mission-critical systems to the municipalities from which we received new orders in the previous quarter, and the increase in sales related to system transitions.

(v) Sales in hardware decreased by 38.4% quarter-on-quarter. This is due to the absence in the current quarter of the sales of servers and network devices which existed in the previous 1st quarter responding to the need for strengthening the information security systems in local governments (measures for strengthening information security of the internal network within municipalities).

(3) Net sales of the Printing Business Division (subsidiary: Tokyo Line Printer Company)

(i) Net sales of the Printing BD totaled 968 million yen (increased 2.0% quarter-on-quarter); operating loss was 29 million yen (the previous 1st quarter recorded the operating income of 2 million yen).

(ii) Data printing service sales increased by 7.2% quarter-on-quarter. This was driven by the increased sales from the election-related businesses in response to the 48th general election of members of the House of Representatives, large orders for direct mail productions from private enterprises, etc.

(iii) Business form-related sales decreased by 5.2% quarter-on-quarter. This was due to continuous decline in the demands for business forms.

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

- (1) Transfer of shares without charge by Masaharu Iizuka, Chairman Emeritus of the Company, to TKC Members
Masaharu Iizuka, the Chairman Emeritus, announced in July 2017 that he would transfer at no charge the common shares owned by himself to TKC Members, who put in practice the attachment of tax audit reports pursuant to Article 33-2 of the Certified Public Tax Accountant Act, for the purpose of the development of businesses run by TKC Members and the business continuity of the Company. This transfer is based on his belief that, as the Financial Services Agency makes changes in its administration policy, the practice of attaching the tax audit reports will contribute to the prosperity of accounting firms more than anything else, because the attached reports prescribed by Article 33-2 of the Certified Public Tax Accountant Act will serve as evidence of reliability of financial statements and tax returns when financial institutions consider providing financial loans to small and medium-sized enterprises (SMEs).

This transfer without charge will be carried out in the period of five years from 2018 through 2022.

- (2) Establishment of TKC Customer Support Service Co., Ltd. (TCSS)

The Company established its wholly-owned subsidiary TKC Customer Support Service Co., Ltd. (TCSS) on October 5, 2017. The purpose is to enhance the expertise of help desk operations and strengthen the support structure for our users, so that they use our services with more confidence than before. In addition, we are constructing a new office building TKC Customer Support Service Building as TCSS's base in Kanuma City, Tochigi Prefecture to be completed in March 2018, and plan to increase the number of telephone support staff, which was 100 people, to 300 in steps for the purpose of improving our services.

(3) Promoting the use of the My Number Cards and expanding its application and utilization

On March 10, 2017, we became the first operator certified by the Minister of Internal Affairs and Communications as a "Use Case of My Number Card at Private Business Operator". And from November 30, 2017, we started utilizing the My Number Cards internally for the validation of authority and permission to enter security rooms.

Prior to this and in November 2017, we made the collective application by enterprises for the issuance of My Number Cards (*) for our 655 officers and employees working in our Tochigi head office, with the support from Utsunomiya City, Tochigi Prefecture. We will engage in such activities as exploring the possibility of further expanding the internal use of the My Number Cards and validating its usability for our products and services to customers.

(*) Collective application by enterprises for the issuance of My Number Cards is an initiative by local governments, where government employees visit private enterprises to receive collective applications for the issuance of the My Number Cards.

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")

Activity policy of TKCNF

TKCNF added its new business objective of "providing support for the business continuity and prosperity of SMEs" at the TKC National Federation Policy Presentation Meeting held in January 2014 and is making proactive efforts to accomplish the objective. In its first stage (January 2014 through December 2016), TKCNF has been conducting campaigns on the theme of "enhancing the comprehensive strength of TKC member firms and increasing the number of members." Following this, and in its second stage (January 2017 through December 2018), it has set the following two focus activities and is actively taking actions to accomplishing them.

●Focus activity 1: Commit ourselves to three major themes and fulfill our roles in society!

1) Prepare highly reliable financial statements in compliance with "Chusho Kaikei Yoryo (Guidelines for SME accounting)", and make them widely known to financial institutions as well as raising their awareness to the guidelines.

2) Promote the "attachment of tax audit reports" (ensure that tax accounting practices adhere to the principle of no taxation without law)

3) Promote the "self-accounting practices" (support for the business continuity and prosperity of SMEs)

●Focus activity 2: Achieve the maximum use of the overall capability of the accounting firms and build up the system that creates high added value!

Actively extend following three services to their clients in collaboration with local financial institutions.

1) "TKC Monitoring Information Service"

2) "Support for business improvement" (support for the drafting of business improvement plans in an early stage)

3) "Founding of business", "succession of business", "support for overseas expansion", etc.

Such activities of TKCNF are possible only when the systems and services provided by the Company are fully utilized. 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 for the focus activities of the TKCNF

In order to support the activities of the TKCNF, we are engaging in the activities setting our focus themes of "promotion of self-accounting by the TKC methods (promotion of FX series)", "retention of good-standing clients (promotion of FX4 Cloud)", "soliciting new members (promotion of newly joining firms into TKCNF)", and "promoting the use of the Tax Accountants Office Management System (OMS)".

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

1) Support activities to enhance the added value in the operation of TKC member firms

Continued from the previous quarter, we supported TKC member firms for hosting the Self-accounting Promotion Meetings through a) internal seminars focusing on the effective utilization of the "marginal income statement", b) setting each firm's targets for promoting the self-accounting and specifying the target enterprises, and c) discussing specific action plans for the promotion, for the purpose of "increasing the satisfaction of enterprise users in using the systems."

2) Promoting the use of the TKC System My Support

We endeavored to increase the number of accounting firms that use the TKC System My Support that provides the direct support by our dedicated supporting staff who respond to inquiry phone calls from our clients, in order to provide the smooth system operation of companies using FX series and an environment where the TKC member firms can promote self-accounting with confidence.

Thanks to these activities, the number of FX series users has reached approximately 250,000 as of December 31, 2017.

(ii) Retention of good-standing clients (promotion of FX4 Cloud)

We offer an integrated accounting information system, FX4 Cloud, designed for medium-scale corporation (with annual turnover of 500 million to 5 billion yen) to support TKC Members in their effort to retain their good-standing clients and expand their client base.

1) Initiatives to motivate TKC accounting firms in collaboration with TKC Regional Associations

In this quarter, we supported 20 TKC Regional Associations nationwide in hosting their seminars for TKC member firms, in an aim to motivate the TKC member firms to promote the utilization of the FX4 Cloud services. The seminars provided the presentations about use cases and their effects by the members who implemented the system, and active discussions about specific ways of promoting the use, contributing to increase the firms newly implementing the system.

We encouraged the TKC member firms who initiated the promotional activities in line with the project, to take part in the Step-up Elementary Workshop (held 74 times nationwide), assisting them to understand the basic functions of FX4 Cloud and how to promote it, as well as to put it into practice.

As the result of these activities, the number of FX4 Cloud users reached more than 11,000 as of December 31, 2017.

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

TKCNF is actively working on its activities to increase TKC membership to over 10,000 offices by the end of December 2020. The Company is working closely with TKCNF in soliciting new members to achieve this.

In the current 1st quarter, we actively solicited approximately 130 non-member certified public tax accountants and certified public accountants who participated in the "TKC New Members' Forum 2017" held in November 2017 to join TKCNF, by making our proposals about "shifting from delegated bookkeeping services to high value-added services" and getting prepared for "support for the drafting of business improvement plans in an early stage."

(iv) Promoting the use of the Tax Accountants Office Management System (OMS)

Our Tax Accountants Office Management System (OMS) is what we consider as the basis for providing services to accounting firms.

In this quarter, we promoted the use of OMS, highlighting the needs for complying with the mandatory electronic filing of tax returns by companies, maintaining the information security, strengthening the collaboration with financial institutions by utilizing the TKC Monitoring Information Service, and conducting the legal check on consumption tax matters.

Thanks to these activities, the number of accounting firms using OMS reached approximately 6,800 as of December 31, 2017.

(3) Amendments to the Participation Agreement

The Company submitted the proposed amendments to the Participation Agreement taking effect on January 1, 2018, to the Board of Directors' Meeting of TKCNF held on October 19, 2017, and the amendments were approved at the meeting. The amendments aim at helping to (i) achieve TKCNF's strategic target of "Over 10,000 TKC Member Firms" and (ii) introduce OMS and ProFIT, which are considered to be the basis on which the Company provides services to member firms.

The amendments achieve, among other things including the unification of multiple types of the Participation Agreement into a single type, (i) the unification of the different types of participation fees and basic membership fees, (ii) the increase in the number of companies which can be processed under the basic membership fee, (iii) to change the terms and conditions of the Participation Agreement so that it will be on the assumption that OMS and ProFIT are used, (iv) the discount of the price for the basic program set, and (v) to make the usage of OMS and ProFIT free of charge (applicable only to the first three years from the year of participation), enabling the Agreement to provide the TKC services to the members at more affordable prices and with more convenience.

In connection with the change, the Company is giving explanations about the amended Participation Agreement to the existing members and suggesting that they enter into the new Agreement.

(4) Activities for FinTech

(i) FinTech service for TKC member firms' clients

The Data Receiving Functionality from Banks and Credit Card Companies is one of the functions of the FX series that automatically receives transaction data such as internet banking service from more than 99% of financial institutions (corporate accounts) (*) and details of major credit cards, and facilitates accurate journal entries in accordance with preset journal entry rules.

In this quarter, we promoted the use of the FX series, highlighting the benefit of utilizing the functionality for making journal entry more efficient.

(*) City banks, regional banks, second regional banks, shinkin banks, labor banks, JA Bank, and JF Marine Bank

(ii) FinTech service for financial institutions

The TKC Monitoring Information Service is a cloud-based service in which the TKC member firms provide financial data, the correctness, existence, and comprehensiveness of which is secured by the monthly Field Audits by the TKC member firms, to financial institutions upon request by the management of their clients.

In this quarter, we conducted a campaign to propose the use of this service to regional financial institutions in collaboration with 20 TKC Regional Associations nationwide. The campaign brought about more than 300 financial institutions adopting the service as of December 31, 2017, with more than 20,000 items of information provided to them.

Financial institutions having adopted the service express their high appreciation, saying, "We can now conduct fruitful interviews with plenty of results, because the system enables us to do a full analysis beforehand based on the information obtained earlier.", or "Our visits are no longer for just obtaining the financial statements or worksheets; we can now conduct a hearing about the client's business situations."

(5) Activities for the "support for the drafting of business improvement plans in an early stage"

The Small and Medium Enterprise Agency announced on May 10, 2017 its support for the drafting of business improvement plans in an early stage, as part of its project for supporting business improvement planning by the authorized supporting organizations.

This project is "to provide support for enabling SMEs and small-scale enterprises to conduct cash flow management and profit management from normal times, through raising their awareness for improving their management and promoting their early response, which can be achieved through utilizing the scheme in the project for supporting business improvement planning carried out by the authorized supporting organizations, and by such SMEs and enterprises making efforts to improve basic issues of management (drafting of business improvement plans in an early stage)".

The TKCNF actively promotes this project as being consistent with the purpose of its focus activity themes, and the Company is working on system revision and holding workshops to support this.

(6) 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 their 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 make judgments about loan plans and preferential interest rates for financial products such as "Kiwame" introduced by The Bank of Tokyo-Mitsubishi UFJ and "Taikoban" offered by The Chukyo Bank, and other financial products of many other financial institutions in Japan.

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

TKCNF recommends the "Basic Guidelines with Respect to the Accounting Procedures at Small- and Medium-sized Enterprises" (Chusho Kaikei Yoryo (Guidelines for SME accounting)) with which the clients should comply in their accounting procedures. These guidelines have been formulated based on the following principles: "accounting that helps to grasp the company's business situation"; "accounting that contributes to providing information to stakeholders (financial institutions, etc.)"; "accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system"; and "accounting that does not place an excessive burden on SMEs."

In order to support the activities of the TKCNF towards the diffusion and utilization of the guidelines, we are striving to promote the development of relevant environments and collaboration with other SME-supporting organizations.

(7) Expansion into large-scale enterprise market

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 non-current asset management system, the documented evidence storage service (TDS), and the OBMonitor oversea business monitoring system. This is an activity in which, through the utilization of the TKC systems, the Company contributes to the rationalization of tax and accounting operations of large enterprises, mainly listed companies, and works to make these companies clients of TKC Members.

In this quarter, we held seminars on "consolidated taxation system and the taxation system for corporate reorganization, and the corporate governance for taxation", "proposal for accounting standards with respect to recognition of revenue", and "international M&A" in collaboration with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,280 members as of December 31, 2017) and TKCNF's Overseas Deployment Support Research Committee (consisting of nearly 560 members as of December 31, 2017), in order to enhance the awareness and brand power of our systems for the purpose of acquiring new customers. In addition, we made holistic proposals to the users of our systems, leveraging the strengths of the systems that encompass all aspects of account settlements and tax declaration on corporate group level.

As a result, the number of companies using the TKC Consolidated Group Solution counted approximately 2,800 corporate groups (or about 18,900 companies) as of December 31, 2017, adopted by approximately 80% of the 100 largest Japanese listed companies by sales amount.

(8) Expansion of market for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 290,000 judicial precedents, etc. (as of December 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 those collected from our own sources, making it the largest database of all 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 916,000 bibliographic information references with links to 51 of the Databases of Professional Journals, with total items of information now exceeding 2,400,000. As of December 31, 2017, the Library is used by over 16,600 institutions with more than 50,000 IDs, including TKC member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

In this quarter, we maintained our focus on sales promotions for the databases highlighting their usefulness in business operations, through putting the contents in the TKC Law Library that are useful for business practices into customer-specific packages (Law Office Pack for law firms, Corporate Legal Pack for corporate legal departments). Our portal site related to labor laws, Labor Law EX+, which was jointly developed with a partner company Roudou Kaihatsu Kenkyukai Co., Ltd. was launched in March 2017. It is one of our database products promoted to members of the Labor Law Study Group and offered as an optional content in the TKC Law Library as part of our efforts, bringing about new sales channels for further expansion of use.

In the academic market, we proposed the introduction of an early learning support system to the 56 law schools using TKC Law School Educational Support System, which is the basis of the proposed system. We are supporting such schools to apply for the Public Support Program for Law Schools Concerning the Revision of Budget Distribution initiative by the Ministry of Education, Culture, Sports, Science and Technology. In addition, the system has the exercise systems 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 Learning Support NAVI and Study Drills of Judicial Precedents, the effective use of which provides functions that enable students to create study plans, check their progress and study the essential judicial precedents in the lead up to the bar exam, leading to the increasing number of users year by year and gaining a high reputation for its effect from successful applicants in the bar examination.

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.A. As of December 31, 2017, over 60 licenses are in use worldwide, with further growth anticipated in the future, particularly in the Asian regions.

In an aim to further expand our footprint in overseas markets, we are collaborating with the Research and Education Center for Japanese Law having eight sites in Asia, each serving as a key facility of Nagoya University for the development of laws and support in law education in Asia, and we promote the use of the TKC Law Library by the local students writing their essays in the course of fostering legal talents in Asia.

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 the TKC Government Cloud Service to municipalities (mainly for cities, wards and towns) 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 attracts considerable attentions from the viewpoint of "local government cloud systems" that the Japanese government seeks to establish.

In this quarter, we continued our work on the enhancement of the function of the New Generation TASK Cloud (compatible with My Number system) (*), a mission-critical operational system (such as Basic Resident Register System, taxation and welfare), and its phase-two development (12 systems), as well as the support to our user organizations in responding to the requirements in the collaboration between Japanese and local governments for the interaction of information. In October 2017, we concluded the definitive agreement with Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (consisting of 14 municipalities) for our provision of cloud-based shared use services. Our active promotional activities such as this project have brought about around 150 municipalities nationwide adopting the New Generation TASK Cloud as of December 31, 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 request by the national government, there has been a sharp increase in the number of municipalities introducing or considering adopting the Issuance of Certificates at Convenience Store service in view of providing more convenience to residents.

In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System as the system to realize this service. The extensive track record of the system as the first cloud service for municipalities across Japan has attracted a number of requests for quotation from local governments including government ordinance-designated cities.

In this quarter, we addressed the "low-priced cloud" initiated by the government as a means of promoting the use by 928 municipalities, as well as enhancing and expanding various functions of the service. The TASK Cloud Convenience Store Certificate Issuing System has been used in more than 60 municipalities nationwide as of December 31, 2017, including the case in which Tva-Kagoshima, Kagoshima City Town Village Association has adopted it as the recommended system in December 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 740 agencies (as of December 31, 2017), which accounts for more than 40% of all municipalities.

Our TASK Cloud Taxation Document Image Management Service is also receiving more and more orders, as means of preventing information leakage caused by paper media, as well as streamlining taxation-related operations and reducing associated costs. This service is adopted by more than 110 municipalities as of December 31, 2017.

In this quarter, we engaged in the development and promotional activities of the TASK Cloud Local Tax Electronic Filing Support Service (e-Tax Collaboration Service) that can directly transmit the data of the final tax return form to the e-Tax (national tax electronic declaration/payment system) via the Local Government Wide Area Network (LGWAN). We also conducted development and promotional activities for the new data connection services supporting the unified tax payment system for local taxes, which is expected to start operation in two years.

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

Municipalities are required to organize the system of accrual basis accounting (double entry bookkeeping) to complement the current cash basis accounting (single entry bookkeeping) by the end of fiscal year 2017 in principle, and to prepare and disclose their financial documents utilizing such system.

The Company provides the TASK Cloud Public Accounting System which complies with this requirement, and its related system, TASK Cloud Non-current Assets Control System. The TASK Cloud Public Accounting System is widely recognized as providing ease of use because it is a package system compatible with "daily journalizing system" and achieves "highly accurate automatic journalizing" by patented technology, attracting a number of requests for quotation nationwide.

In this quarter, we promoted the new development of useful functionalities for management support in addition to enhancing and expanding various functions, and worked to cultivate new customers by leveraging our strong track record of introducing daily journal functions to more than 90 municipalities. As a result, the TASK Cloud Public Accounting System is adopted by more than 170 municipalities across Japan as of December 31, 2017, including Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities.

(5) Compliance with revised laws and systems

Municipalities are required to achieve "increase the convenience of citizens" and "more efficiency in administrative work" by utilizing My Number Cards and others, as well as to comply with the Act Partially Amending the Long-Term Care Insurance Act for Strengthening Regional General Care System expected to take effect in next spring.

In order to support this, in this quarter, we conducted the survey, research and development of new products and services (including Easy-to-use Reception System, One-stop Child-rearing Support Service, and Welfare Consultation Support System) that utilize state-of-the-art ICT such as My Number Card, Myna-Portal and AI, under the leadership by the New Product Planning Promotion Office established on October 1, 2017.

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

The Group's Printing BD conducts its manufacturing and sales activities with the main focus on data printing services (DPS) business and business forms printing.

The sales from the data printing services increased from that in the previous 1st quarter, driven by the election-related orders in response to the 48th general election of members of the House of Representatives, large orders for direct mail productions from

private enterprises, and periodic orders for business process outsourcing (BPO).

In the field of business form printing, although market demand of business forms is generally on a downward trend, we regularly receive orders from large-scale customers and sales are making just a small decline.

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 81,794 million yen, a 3,633 million yen decrease compared to 85,428 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 26,135 million yen, a 4,410 million yen decrease compared to 30,545 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 2,766 million yen in Cash and deposits, 835 million yen in Notes and accounts receivable - trade, and 589 million yen 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 55,659 million yen, a 776 million yen increase compared to 54,883 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 813 million yen in Investment securities and a 523 million yen increase in Construction in progress account, despite the decrease of 230 million yen in Long-term deferred tax assets included in Other, 103 million yen in Buildings and structures, net, and 77 million yen in Intangible assets.

2. Liabilities

Total liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 12,191 million yen, a 4,344 million yen decrease compared to 16,536 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 9,037 million yen, a 4,307 million yen decrease compared to 13,345 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 1,736 million yen in Provisions for bonuses, 1,161 million yen in Income taxes payable, and 1,494 million yen in Accounts payable - other.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 3,154 million yen, a 37 million yen decrease compared to 3,191 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 82 million yen in Long-term lease obligations included in Other and 17 million yen in Long-term loans payable, despite an increase of 76 million yen in Retirement benefit liability.

3. Net assets

Total net assets as of the end of the current 1st quarter consolidated accounting period amounted to 69,603 million yen, a 711 million yen increase compared to 68,892 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 551 million yen in Valuation difference on available-for-sale securities, 115 million yen in Retained earnings, and 57 million yen in Subscription rights to shares.

Equity ratio as of the end of the current 1st quarter consolidated accounting period was 83.1%, a 4.3 percentage point increase compared to the ratio of 78.8% 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 quarter consolidated cumulative period.

IV Research and Development Activities

An amount of 38 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, 2017)	Number of shares issued as of the filing date (shares) (February 13, 2018)	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.]

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

Date of Resolution	November 7, 2017
Number of subscription rights to shares (shares)	165
Number of own subscription rights to shares among all subscription rights to shares (shares)	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock
Number of shares to be issued upon exercise of subscription rights to shares (shares)	16,500 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1
Period to exercise subscription rights to shares	From December 11, 2017 To December 10, 2052
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares (in yen)	Price of issuing shares 3,478 (Notes) 2 Amount of capitalization 1,739
Conditions for exercise of subscription rights to shares	(Notes) 3
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.
Matters concerning substitute payments	----
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4

(Note) 1. When performing a share split (including gratis allotment of common shares of the Company; the same shall apply to all share splits described hereinafter) or share consolidation with respect to common shares of the Company after the allotment date of subscription rights to shares, the number of shares granted will be adjusted using the following formula:

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

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

In addition, 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. The price of issuing shares is the sum of the amount to be paid upon subscription and the amount to be paid in upon exercise of subscription rights to shares.
3. Conditions for exercise of subscription rights to shares
 - (1) A holder of subscription rights to shares may only exercise the share option rights within ten days (or the next business day if the tenth day falls on a holiday) from the date following the day 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 Director or Auditor or as an employee of the Company is appointed Director of the Company or becomes a mercantile employee of the Company within ten days of having lost his/her original position, such person shall not be entitled to exercise the subscription rights to shares.
 - (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), subscription rights to shares may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where subscription rights to shares of a restructured company are to be issued in accordance with the matters concerning the issuing of subscription rights to shares upon reorganization.
 - (3) All other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of subscription rights to shares.
4. If the Company is to engage 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 jointly referred to as a "restructuring transaction"), subscription rights to shares in the entity set forth in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter, the "restructured company") shall be issued to the holders of the subscription rights to shares remaining in effect at a time immediately before the effective date of the restructuring transaction (hereinafter respectively referring to the date an absorption-type merger comes into effect, the date the new corporation is incorporated following a consolidation-type merger, the date an absorption-type split comes into effect, the date the new corporation is incorporated following an incorporation-type company split, the date a share exchange comes into effect, or the date the new joint-stock corporation is incorporated following a share transfer) (hereinafter the "remaining subscription rights to shares"). However, such rights may be granted only if provisions for issuing the subscription rights to shares 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 subscription rights to shares of the restructured company to be issued
The same number of subscription rights to shares as the number of remaining subscription rights to shares held by respective holders of subscription rights to shares.
 - (2) Class of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
Common shares of the restructured company.
 - (3) The number of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
To be determined in proportion to the class and number of shares to be issued upon exercise of subscription rights to shares defined in (Notes) 1 above upon considering the conditions, etc. of the restructuring transactions.
 - (4) The amount of assets to be contributed upon exercise of subscription rights to shares
The amount shall 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 subscription right to shares as determined in accordance with (3) above. The amount to be paid in after restructuring shall be 1 yen per share of the restructured company to be issued upon exercise of each subscription right to shares to be issued.
 - (5) Period in which subscription rights to shares can be exercised
The period shall start on the start date of the exercise period listed in the "Period to exercise subscription rights to shares" in the table above, or the date the restructuring transactions come into effect, whichever the later, and shall last until the expiration date of the period in which subscription rights to shares can be exercised.
 - (6) Matters concerning increases in capital stock and capital reserve occurring when issuing shares upon exercise of subscription rights to shares:
 - (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 under 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 subscription rights to shares through transfers
Acquisition of subscription rights to shares through transfers shall require the approval by resolution of the Board of

- Directors of the restructured company.
- (8) Other conditions for exercise of subscription rights to shares
To be determined in conformity with (Notes) 3 above.
 - (9) Provisions for the acquisition of subscription rights to shares
Subscription rights to shares 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 by the 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 the General Meeting of Shareholders 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 corporate 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 October 1, 2017 To December 31, 2017	-	26,731,033	—	5,700	—	5,409

(6) [Major shareholders]

There are nothing applicable to this item, as the current quarter is the 1st quarter accounting period.

(7) [Voting rights]

The descriptions under this "Voting rights" as of the end of the current 1st quarter accounting period represent those on the shareholder register as of the most recent record date (September 30, 2017), because those on the register as of the end of the current 1st quarter cannot be confirmed.

(i) [Issued shares]

As of September 30, 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 355,400	-	-
Shares with full voting right (others)	Common stock 26,336,800	263,368	-
Shares less than one share unit	Common stock 38,833	-	-
Total number of issued shares	26,731,033	—	—
Total voting rights held by all shareholders	—	263,368	-

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

"Number of voting rights" includes six units of voting rights held under the name of Japan Securities Depository Center, Inc.

(ii) [Treasury stock, etc.]

As of September 30, 2017

Name of owner	Address of owner	Number of shares owned under own name (shares)	Number of shares owned 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	349,900	-	349,900	1.31
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	—	5,500	0.02
Total	—	355,400	-	355,400	1.33

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 2007).

2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 1st quarter consolidated accounting period (from October 1, 2017 to December 31, 2017) and the 1st quarter consolidated cumulative period (from October 1, 2017 to December 31, 2017) have been audited by Ernst & Young ShinNihon LLC pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

1 [Quarterly Consolidated Financial Statements]

(1) Quarterly consolidated balance sheet

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2017)	Current 1st quarter consolidated accounting period (December 31, 2017)
Assets		
Current assets		
Cash and deposits	20,039	17,272
Notes and accounts receivable - trade	6,555	5,719
Inventories	755	696
Other	3,229	2,486
Allowance for doubtful accounts	(33)	(39)
Total current assets	30,545	26,135
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,619	6,516
Land	6,922	6,922
Other, net	2,669	3,091
Total property, plant and equipment	16,212	16,530
Intangible assets		
Investments and other assets		
Investment securities	23,659	24,473
Long-term time deposits	6,000	6,000
Guarantee deposits	1,310	1,329
Other	3,888	3,590
Total investments and other assets	34,858	35,393
Total non-current assets	54,883	55,659
Total assets	85,428	81,794
Liabilities		
Current liabilities		
Accounts payable - trade	2,392	1,802
Electronically Recorded Obligations	897	909
Shore-term loans payable	71	71
Accounts payable - other	3,814	2,320
Income taxes payable	1,445	283
Provisions for bonuses	3,028	1,292
Other	1,694	2,358
Total current liabilities	13,345	9,037
Non-current liabilities		
Long-term loans payable	223	205
Retirement benefit liabilities	1,668	1,745
Other	1,298	1,202
Total non-current liabilities	3,191	3,154
Total liabilities	16,536	12,191

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2017)	Current 1st quarter consolidated accounting period (December 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,409
Retained earnings	56,549	56,665
Treasury stock	(968)	(968)
Total shareholders' equity	66,690	66,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	621	1,172
Total accumulated other comprehensive income	621	1,172
Subscription rights to shares	178	235
Non-controlling interests	1,401	1,388
Total net assets	68,892	69,603
Total liabilities and net assets	85,428	81,794

(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, 2016; ended December 31, 2016)	Current 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)
Net sales	13,423	14,664
Cost of sales	4,738	4,859
Gross profit	8,685	9,804
Selling, general and administrative expenses	7,148	7,375
Operating income	1,537	2,429
Non-operating income		
Interest income	9	16
Dividend income	50	54
Dividend income of insurance	11	4
Land and house rent received	9	11
Share of profit of entities accounted for using equity method	1	1
Other	7	7
Total non-operating income	90	96
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	1	0
Ordinary income	1,626	2,524
Extraordinary income		
Gains on sale of non-current assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on disposal of non-current assets	0	2
Total extraordinary losses	0	2
Quarterly net income before taxes and adjustments	1,625	2,522
Income taxes - current	27	258
Income taxes - deferred	514	573
Total income taxes	541	832
Quarterly net income	1,083	1,690
Quarterly net income or loss attributable to non-controlling interests	1	(8)
Quarterly net income attributable to owners of parent	1,082	1,698

[Quarterly consolidated statements of comprehensive income]
[1st quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 1st quarter consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)	Current 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)
Quarterly net income	1,083	1,690
Other comprehensive income		
Valuation difference on available-for-sale securities	806	557
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	806	557
Quarterly comprehensive income	1,890	2,248
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	1,884	2,249
Quarterly comprehensive income attributable to non- controlling interests	6	(1)

[Notes]

(Notes to quarterly consolidated statements of cash flows)

The Company does not prepare the quarterly consolidated statements of cash flows for the current 1st quarter consolidated cumulative period. The following is the depreciation for the current 1st quarter consolidated cumulative period, including that for intangible assets:

	Previous 1st quarter consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)	Current 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)
Depreciation (Notes to equity, etc.)	598 million yen	618 million yen

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

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

II Current 1st quarter consolidated cumulative period (started October 1, 2017; ended December 31, 2017)

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, 2017 Ordinary general meeting of shareholders	Common stock	1,582	60	September 30, 2017	December 25, 2017	Retained earnings

(Segment information, etc.)

[Segment information]

I Previous 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 Governments 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	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, etc. of inventory assets.

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

II Current 1st quarter consolidated cumulative period (started October 1, 2017; ended December 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	10,146	3,548	968	14,664	-	14,664
(2) Inter-segment sales or transfers	0	-	323	323	(323)	-
Total	10,147	3,548	1,291	14,987	(323)	14,664
Segment profit or loss	2,000	455	(29)	2,426	2	2,429

(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 income 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 quarter consolidated cumulative period (Started October 1, 2016; ended December 31, 2016)	Current 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)
(1) Quarterly net income per share	40.75 yen	64.38 yen
(Basis for the calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	1,082	1,698
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income attributable to owners of parent having the common shares (millions of yen)	1,082	1,698
Average number of common shares outstanding (hundreds of shares)	265,532	263,791
(2) Quarterly diluted net income per share	40.55 yen	64.12 yen
(Basis for the calculation)		
Quarterly net income adjustments attributable to owners of parent (millions of yen)	-	-
Number of common shares increased (hundreds of shares)	1,338	1,096
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, 2018

To: The Board of Directors
TKC Corporation

Ernst & Young ShinNihon
LLC

Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Yasuo Sekiya	Seal
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Designated Limited Liability Partner Executing Partner	Certified Public Accountant	Yuichi Noda	Seal
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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, 2017 and ending September 30, 2018) for the 1st quarter consolidated accounting period (from October 1, 2017 to December 31, 2017) and for the 1st quarter consolidated cumulative period (from October 1, 2017 to December 31, 2017) 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, 2017 and operating results for the 1st quarter consolidated cumulative period ending December 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]	February 13, 2018
[Company name]	株式会社TKC (Kabushiki Kaisha TKC)
[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 52nd term 1st quarter (started October 1, 2017; ended December 31, 2017) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

Not applicable.