

Quarterly Report

(52nd Term 3rd Quarter)

Started April 1, 2018

Ended June 30, 2018

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi Prefecture

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[Front Cover]

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Section 1 [Corporate Information]

Part 1 [Corporate Overview]

1[Changes in key financial data, etc]

Fiscal year		51st Term 3rd quarter consolidated cumulative period	52nd Term 3rd quarter consolidated cumulative period	51st Term
Accounting period		Started October 1, 2016; ended June 30, 2017	Started October 1, 2017; ended June 30, 2018	Started October 1, 2016; ended September 30, 2017
Net sales	(millions of yen)	44,625	45,289	59,705
Ordinary income	(millions of yen)	7,163	7,725	8,792
Quarterly (current) net income attributable to owners of parent	(millions of yen)	4,748	5,069	6,071
Quarterly comprehensive income or comprehensive income	(millions of yen)	5,896	5,114	7,097
Net assets	(millions of yen)	68,099	71,148	68,892
Total assets	(millions of yen)	81,095	83,979	85,428
Quarterly (current) net income per share	(yen)	178.97	192.17	229.13
Quarterly (current) diluted net income per share	(yen)	178.19	191.31	228.16
Equity ratio	(%)	82.0	82.7	78.8

Fiscal year		51st Term 3rd quarter consolidated accounting period	52nd Term 3rd quarter consolidated accounting period
Accounting period		Started April 1, 2017; ended June 30, 2017	Started April 1, 2018; ended June 30, 2018
Quarterly net income per share	(yen)	54.42	67.11

(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 3rd quarter consolidated cumulative period. There is no change in significant affiliated companies.

TKC Customer Support Service Co., Ltd., which was a non-consolidated subsidiary of the Company, is included in the scope of consolidation in the current 3rd quarter consolidated accounting period due to an increase in its importance.

Part 2 [Business Overview]

1 [Risk factors of business, etc.]

There is no risk pertaining to new business operations, etc. arisen during the current 3rd 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 3rd quarter consolidated accounting period.

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

I Operating Results

The operating results for the current 3rd quarter consolidated cumulative period (hereinafter, "the current 3rd quarter") of the consolidated Group comprising of TKC Corporation and its six companies such as consolidated subsidiaries recorded a net sales of 45,289 million yen (increased 1.5% in comparison to the previous 3rd quarter consolidated cumulative period (hereinafter, "quarter-on-quarter")), operating income of 7,472 million yen (increased 7.2% quarter-on-quarter), ordinary income of 7,725 million yen (increased 7.8% quarter-on-quarter), and net income attributable to owners of parent of 5,069 million yen (increased 6.7% quarter-on-quarter).

This was mainly due to the increase in computer service and software sales received by both the Accounting Firm and Local Governments Business Divisions in relation to cloud services, providing surplus compensation for the decrease in consulting service and hardware sales by the Local Governments Business Division in relation to the launch of the My Number system that existed in the previous 3rd quarter.

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

1. Results of operation of the TKC Group for the current 3rd quarter

(1) Net sales of the Accounting Firm Business Division

(i) Net sales of the Accounting Firm BD was 32,215 million yen (increased 3.5% quarter-on-quarter); operating income was 6,836 million yen (increased 10.8% quarter-on-quarter).

(ii) Computer service sales increased 3.5% quarter-on-quarter. This was due to steady growth in the user base of cloud services such as the FX4 Cloud integrated accounting information system for mid-sized companies and the Tax Accountants Office Management System (OMS).

(iii) Software sales increased by 5.4% quarter-on-quarter. This is the result of the growing number of users of the Inheritance Tax Declaration-related Systems (TPS8000 series) due to the expansion of special measures under the business succession taxation scheme provided under the FY2018 tax reform, and the strong increase in the number of users of the FX4 Cloud and the e21-Meister.

(iv) Sales from consulting services decreased 15.2% 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 the FX4 Cloud system, etc.

(v) Sales in hardware decreased by 9.5% quarter-on-quarter. This was due to the decreasing demand for hardware such as servers as the transition to the cloud services continue to increase.

(2) Net sales of the Local Governments Business Division

(i) Net sales of the Local Governments BD was 10,168 million yen (decreased 4.5% quarter-on-quarter); operating income was 338 million yen (decreased 40.2% quarter-on-quarter).

(ii) Computer service sales increased 3.4% quarter-on-quarter. This was driven by the increased sales from the use of TKC data centers generated by orders for mission-critical systems from new customers, 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 13.1% quarter-on-quarter. This was driven by the increase in system revision costs in response to the introduction of the One-stop Child-rearing Service, as well as the increasing number of users of mission-critical systems and public accounting systems.

(iv) Sales from consulting services decreased 27.4% quarter-on-quarter. This is due to the absence in the current quarter of the sales related to the need for strengthening the information security systems in local governments (measures for strengthening information security of the internal network within municipalities) which existed in the previous 3rd quarter.

(v) Sales in hardware decreased by 56.3% 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 3rd quarter responding to the need for strengthening the information security systems in local governments (measures for strengthening information security of the internal network with municipalities).

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

(i) Net sales of the Printing BD was 2,905 million yen (increased 2.2% quarter-on-quarter); operating income was 291 million yen (increased 30.5% quarter-on-quarter).

(ii) Sales of data printing service-related products increased by 7.1% quarter-on-quarter. This was driven by the orders related to the 48th general election of members of the House of Representatives, orders for notice related services from municipalities in the beginning of the fiscal year, and large orders for direct mail productions and orders for business process outsourcing from private enterprises, despite decrease in the current quarter of large contract projects from government offices.

(iii) Business form-related sales decreased by 3.4% quarter-on-quarter due to continuous decline in the demands for business forms.

2. Matters with respect to businesses

(1) North Osaka Earthquake and Heavy Rain in July 2018

The North Osaka Earthquake occurred in June and the Heavy Rain Event of July 2018 occurred in July did not cause much damage to employees and business offices of the Company allowing them to continue their ordinary course of business. We support to the best of our ability TKC member firms, their clients and the local governments who were affected by the disasters in order for them to resume their businesses earlier.

(2) New establishment of the Chiba Business Section

We newly established the Chiba Business Section in the Local Governments Business Division as of June 1 in order to strengthen support for our customers (cities, towns and villages) within Chiba Prefecture.

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 (<https://www.tkc.jp/>).

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

TKCNF set the following two focus activities and is actively taking actions to accomplish them.

(i) 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).

(ii) 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) "TCK Monitoring Information Service"

2) "Support for business improvement"

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

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

(2) Focus activity themes of the Accounting Firm Business Division

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)", "soliciting new members (promotion of newly joining firms into the TKCNF)", and "promoting the use of the Tax Accountants Office Management System (OMS)".

In response to recent changes in laws and systems, we newly set our focus activity themes of "support for complete compliance with the Electronic Books Maintenance Act", "promotion and support for the Monitoring Information Service", and "support in respond to special measures under the business succession taxation scheme".

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

1) Promotion of the e21-Meister and the FX2

We offer the self-accounting system for the clients of TKC Members such as the e21-Meister targeting small scale corporations with annual turnover up to 100 million yen and the FX2 targeting SMEs with annual turnover up to 500 million yen.

In the current 3rd quarter, we provided TKC Member firms with internal seminars focusing on the utilization of the system as well as supported them in hosting the Self-accounting Promotion Meetings that offer setting each firm's targets for promoting the self-accounting, specifying the target enterprises, and discussing specific action plans for the promotion.

2) Promotion of FX4 Cloud

In order to support TKC Members in their effort to retain good-standing clients of the TKC Members and expand their client

base, we offer an integrated accounting information system, FX4 Cloud, designed for medium-scale corporation with annual turnover of 500 million to 5 billion yen. In the current 3rd quarter, we engaged in the following activities.

a) The Ministry of Economy, Trade and Industry has announced that it will continue the Support Project for Introducing IT for Improvement in Productivity of Services, etc. Taking this as an opportunity to promote self-accounting under the initiative of accounting firms, we, in the current 3rd quarter, provided information regarding the Project to TKC member firms and supported their promotion activities to their clients.

b) We have hosted seminars on "more efficient accounting work" since June in order to support the use of system by FX4 Cloud users. These seminars are held in an aim to enhance the utility value of the system by utilizing the function of management by division as well as preparing own management reports using MR design tools, both of which are the strengths of FX4 Cloud.

Thanks to these activities, the number of FX series users has reached approximately 255,000 as of June 30.

(ii) Soliciting new members (promotion of newly joining firms into the TKCNF)

In the current 3rd quarter, certified public tax accountants and certified public accountants were introduced to the Company through TKC Members and related agencies. In addition, we held interviews with certified public tax accountants and certified public accountants introduced to us on the theme of special measures under the business succession taxation scheme in order to solicit new members by highlighting our ability to promptly respond to the revision of laws as well as to provide abundant information.

We also encouraged mainly certified public tax accountants and certified public accountants who were newly introduced to us to participate in our seminars to be held in July nationwide with the themes of "TKC's response to special measures under the business succession taxation scheme", "methods for expanding the number of clients", and "management for accounting firms utilizing the strengths of personnel who were used to work for public tax offices".

The total number of TKC Members counts approximately 11,100 and TKC Member firms exceeds 9,500 as of June 30.

(iii) 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 the current 3rd 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. On April 2, we began to provide a secured chat-tool, TKC Chat, as an optional function, which is in compliance with "Obligations to Supervise Employees, etc. (Article 41-2; Certified Public Tax Accountant Act)".

The number of accounting firms using OMS reached approximately 7,000 as of June 30.

(3) Support activities for complete compliance with the Electronic Books Maintenance Act

Under the FY 2018 tax reform, advantageous provisions were incorporated with which special reduction amounts for blue returns are favorably treated by 100,000 yen if an applicant is "subject to the application of the Electronic Books Maintenance Act" or "utilizes the electronic filing procedures" for income tax. This is a groundbreaking revision in terms of favorable tax treatment for business entities who keep the history of revision, addition and/or deletion in books. It is now under the consideration that the same provisions may be incorporated in the corporate tax act in the future.

In response to these circumstances, the Company emphasized, for accounting firms, that the application of the Electronic Books Maintenance Act would lead to (i) decrease calculation fees payable to the Company, (ii) reduce office works, and (iii) increase consulting fees with the provision of TKC CD-Book (electronic books). We also encouraged them to notify their clients thereof

as well as proposed the promotion of FX series which are completely compatible with the Electronic Books Maintenance Act.

(4) Promotion and support of the TKC Monitoring Information Service

TKC Monitoring Information Service is a cloud-based service in which the TKC Members provide, free of charge, 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.

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."

In the current 3rd quarter, we emphasized to the financial institutions that: (i) the reliability of financial statements prepared by SMEs can be verified by the attachment of tax audit reports by TKC Members as provided for under Article 33-2 of the Certified Public Tax Accountant Act, the Certificate of Bookkeeping Timeliness which certifies timeliness (Article 432 of the Companies Act) of creating books, and the Chusho Kaikei Yoryo Checklist provided by the Japan Federation of Certified Public Tax Accountants' Associations; and (ii) these certificates will be accessible if financial institutions subscribe to the TKC Monitoring Information Service as stated below.

As a result of the campaign, more than 350 financial institutions adopt the service as of June 30, with information provided to them exceeding 40,000 items.

(5) Support in response to special measures under the business succession taxation scheme

Under the circumstances where business owners of SMEs are aging rapidly, it is pointed out that many SMEs with excellent technology may close their businesses without being succeeded.

In response to these environments, the Japanese government set forth special measures under the business succession taxation scheme provided under the FY2018 tax reform by revising the previous business succession taxation scheme. In order to apply this, an applicant is required to submit a special succession plan prepared in accordance with the instructions and advise of support agencies for business innovation (certified public tax accountants, etc.) to the prefectural governments.

We develop systems, and plan and manage various instruction tools and seminars by launching the TKCNF Project for Special Measures under the Business Succession Taxation Scheme in collaboration with the TKCNF in an aim to enable TKC Members who are support agencies for business innovation to efficiently support the smooth succession of businesses by SMEs.

On June 1, we developed and offered the Support System for Applying the 2018 Version of the Business Succession Taxation Scheme (Compatible with Special Measures under the Business Succession Taxation Scheme) / TPS8800, enabling an applicant to prepare a special succession plan, which is required for the application of special measures under the business succession taxation scheme.

(6) Expansion into large-scale enterprise market

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 use of 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, etc.).

In the current 3rd quarter, we held seminars on "accounting standards with respect to recognition of revenue" and "overseas

M&A” as well as seminars targeting companies aiming IPO, in collaboration with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,300 members as of June 30) and the TKCNF's Overseas Deployment Support Research Committee (consisting of nearly 600 members as of June 30), in order to enhance the awareness and brand power of system offered by us. 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. On June 29, we started offering a cloud-based service, TKC Tax Application & Notice Cloud, to support large-scale enterprises in digitalizing tax procedures (applications and notices).

As a result of these activities, the number of companies using the TKC Consolidated Group Solution counted approximately 2,800 corporate groups (or about 19,500 companies) as of June 30, adopted by over 80% of the 100 largest Japanese listed companies by sales amount.

(7) 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 June 30) 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 927,000 bibliographic information references with links to 55 of the Databases of Professional Journals, with total items of information now exceeding 2,400,000.

(i) Increase the use base of the TKC Law Library

We have continuously engaged in sales promotions for the TKC Law Library highlighting its usefulness in business operations, through putting the contents 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.

As a result of active promotional activities, the Library is used in the current 3rd quarter by over 19,500 institutions as of June 30 with more than 50,000 IDs, including TCK member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

(ii) Promotion in the academic market

We proposed the introduction of an early learning support system to 54 law schools using TKC Law School Educational and Research 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. The system includes 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 Precedents. In particular, functions that enable students to create study plans, check their progress, and study and practice the essential judicial precedents in the lead up to the bar exam have gained a high reputation for its effect from successful applicants in the bar examination, leading to the increasing number of users year by year.

In the current 3rd quarter, we made a full-scale launch of Civil Service Examination Study Tool for undergraduates, having concluded contracts with 15 universities and trial use by 48 schools as of June 30.

(iii) Overseas expansion

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., with further growth anticipated in the future, particularly in the Asian regions.

In an aim to further enhance 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.

As a result of these activities, over 70 licenses are in use as of June 30.

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 (mainly for cities, wards, towns and villages) 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 attention from the viewpoint of the promotion policy for "local government cloud systems" by the Japanese government.

In the current 3rd quarter, we continued our work on the enhancement of the functions of the mission-critical operational system of the TASK series (such as Basic Resident Register System, taxation and welfare), and its phase-two development (12 systems).

As of June 1, we newly established the Chiba Business Section. With respect to the transitional procedures of the mission-critical operational system for the Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (consisting of 14 municipalities), we engaged in operations for the system change-over of the remaining 11 municipalities following Kiyokawa Village and Manazuru Town which began their full-operation for the mission-critical operational system in this February.

In addition, we started hosting the TASK Cloud Fair 2018 in the Yokohama event site on June 28 as the first event to be followed by events held in 17 cities nationwide. As a result of these promotional activities, our mission-critical operational systems are adopted by 150 municipalities nationwide as of June 30.

(2) Expansion of cloud services for residents

To promote the utilization of My Number Cards, 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 the current 3rd quarter, we conducted active promotional activities to municipalities across Japan in addition to enhancing and expanding various functions. As a result, the TASK Cloud Convenience Store Certificate Issuing System has been adopted in approximately 70 municipalities nationwide as of June 30.

(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 a cloud-based service

for the standard system of the electronic filing of local taxes and the electronic tax payment offered by the Council. We also develop and provide data connection services as our own functionality to connect the individual tax systems of various municipalities with the Council's platform.

These services are proposed in collaboration with 46 system vendors nationwide with whom we have signed alliance partner agreements. As a result, the Support Service for TASK Cloud Electronic Filing of Local Taxes, the core of our systems, is currently used by approximately 750 agencies which account for more than 40% of all municipalities as of June 30.

In the current 3rd quarter, we developed and engaged in promotional activities for related services such as a new data link service, Common Tax Payment Service for Local Tax, looking ahead to the common tax payment system for local tax which will start its operation nationwide in October 2019.

(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), and to prepare and disclose their financial documents as well as to utilize such data for administrative operations. In order to support this, the Company provides the TASK Cloud Public Accounting System, which is compatible with the daily journalizing method encouraged by the Japanese government, and its related systems, TASK Cloud Non-current Assets Control System and TASK Cloud Consolidated Financial Statement Preparing System.

In the current 3rd quarter, we promoted the new development of useful functionalities such as the Financial Statement Analysis Table by Segment. We also supported the full-scale operation and smooth management for the system of Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities.

As a result of our promotional activities for new customers elsewhere, the TASK Cloud Public Accounting System has been adopted in more than 180 organizations across Japan as of June 30.

(5) Compliance with revised laws and systems

In this June, the government announced the Declaration to Be the World's Most Advanced Digital Nation: Basic Plan for the Advancement of Public and Private Sector Data Utilization to set forth the policy to push through the reform of administrative services with the full utilization of the digital technology.

Municipalities will be required to realize administrative services in line with the Three Principles of Digitalization (digital first, once-only and connected one-stop) to improve the convenience of the entire user base (government, citizens and businesses).

In light of these circumstances, we significantly changed our organizational structure by establishing the Digital Government Management & Promotion Office and the Revised Law and System Management & Promotion Office in the Administrative System Research Center of the System Development Headquarters as of April 1 in order to further accelerate the planning and development of new products and services as well as to strengthen customer support including the collection and communication of the latest information.

In the current 3rd quarter, the Company, under the leadership by these offices, surveyed, researched and developed the next generation systems and services which utilize cutting-edge digital technology.

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 DPS field increased in 7.1% quarter-on-quarter, driven by the election-related orders in response to the 48th general election of members of the House of Representatives in October 2017, orders for notice related services from municipalities in May 2018, large orders for direct mail productions from private enterprises, and periodic orders for business process outsourcing.

In the field of business form printing, although market demand of business form is on a downward trend, the decline in sales is small, a 3.4% decrease in comparison to the previous 3rd quarter, thanks to regular orders from large-scale customers.

II. Financial Position

Assets, liabilities and net assets at the end of the current 3rd quarter consolidated accounting period are stated below.

1. Assets

Total assets as of the end of the current 3rd quarter consolidated accounting period amounted to 83,979 million yen, a 1,448 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 3rd quarter consolidated accounting period amounted to 28,592 million yen, a 1,953 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 1,343 million yen decrease in Cash and deposits and a 534 million yen decrease in Deferred tax assets included in Other.

(2) Non-current assets

Non-current assets as of the end of the current 3rd quarter consolidated accounting period amounted to 55,386 million yen, a 503 million yen increase compared to 54,883 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 1,270 million yen increase in Buildings and structures, net and a 129 million yen increase in Tools, furniture and fixtures included in Other, net, despite a decrease of 514 million yen in Construction in progress included in Other, net and 133 million yen in Investment securities and 124 million yen in Intangible assets.

2. Liabilities

Total liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 12,831 million yen, a 3,705 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 3rd quarter consolidated accounting period amounted to 9,627 million yen, a 3,718 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 1,691 million yen decrease in Provisions for bonuses, a 1,360 million yen decrease in Accounts payable-other and a 716 million yen decrease in Accounts payable - trade.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 3,204 million yen, a 12 million yen increase compared to 3,191 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 93 million yen decrease in Long-term lease obligations included in Other and a 53 million yen decrease in Long-term loans payable, despite a 201 million yen increase in Retirement benefit liability.

3. Net assets

Total net assets as of the end of the current 3rd quarter consolidated accounting period amounted to 71,148 million yen, a 2,256

million yen increase compared to 68,892 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,167 million yen increase in Retained earnings.

Equity ratio as of the end of the current 3rd quarter consolidated accounting period was 82.7%, a 3.9 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 3rd quarter consolidated cumulative period.

IV Research and Development Activities

An amount of 84 million yen was spent on R&D in the current 3rd quarter consolidated cumulative period.

There is no significant change in the status of research and development activities of the TKC Group during the current 3rd 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 3rd quarter accounting period (shares) (June 30, 2018)	Number of shares issued as of the filing date (shares) (August 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.]

Not applicable.

(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 April 1, 2018 To June 30, 2018	-	26,731,033	-	5,700	-	5,409

(6) [Major shareholders]

There is nothing applicable to this item, as the current quarter is the 3rd quarter accounting period.

(7) [Voting rights]

The descriptions under this "Voting rights" as of the end of the current 3rd quarter accounting period represent those on the shareholder register as of the most recent record date (March 31, 2018), because those on the register as of the end of the current 3rd quarter cannot be confirmed.

(i) [Issued shares]

As of March 31, 2018

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 355,900	-	-
Shares with full voting right (others)	Common stock 26,337,700	263,377	-
Shares less than one share unit	Common stock 37,433	-	-
Total number of issued shares	26,731,033	-	-
Total voting rights held by all shareholders	-	263,377	-

(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, 2018

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	350,400	-	350,400	1.31
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	-	5,500	0.02
Total	-	355,900	-	355,900	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 3rd quarter consolidated accounting period (from April 1, 2018 to June 30, 2018) and the 3rd quarter consolidated cumulative period (from October 1, 2017 to June 30, 2018) 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.

Ernst & Young ShinNihon LLC, by which the Company has been audited, changed its Japanese corporate name from ShinNihon Yugen Sekinin Kansa Hojin to EY ShinNihon Yugen Sekinin Kansa Hojin as of July 1, 2018.

1 [Quarterly consolidated financial statements]

(1) [Quarterly consolidated balance sheet]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2017)	Current 3rd quarter consolidated accounting period (June 30, 2018)
Assets		
Current assets		
Cash and deposits	20,039	18,695
Notes and accounts receivable - trade	6,555	6,515
Inventories	755	793
Other	3,229	2,623
Allowance for doubtful accounts	(33)	(35)
Total current assets	30,545	28,592
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,619	7,890
Land	6,922	6,922
Other, net	2,669	2,150
Total property, plant and equipment	16,212	16,963
Intangible assets		
Investments and other assets		
Investment securities	23,659	23,526
Long-term time deposits	6,000	6,000
Guarantee deposits	1,310	1,321
Other	3,888	3,887
Total investments and other assets	34,858	34,735
Total non-current assets	54,883	55,386
Deferred assets		
Total assets	85,428	83,979
Liabilities		
Current liabilities		
Accounts payable - trade	2,392	1,676
Electronically recorded obligations	897	1,018
Shore-term loans payable	71	71
Accounts payable - other	3,814	2,454
Income taxes payable	1,445	641
Provisions for bonuses	3,028	1,336
Other	1,694	2,428
Total current liabilities	13,345	9,627
Non-current liabilities		
Long-term loans payable	223	170
Retirement benefit liabilities	1,668	1,869
Other	1,298	1,164
Total non-current liabilities	3,191	3,204
Total liabilities	16,536	12,831

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2017)	Current 3rd quarter consolidated accounting period (June 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,409
Retained earnings	56,549	58,717
Treasury stock	(968)	(970)
Total shareholders' equity	66,690	68,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	621	573
Total accumulated other comprehensive income	621	573
Subscription rights to shares	178	235
Non-controlling interests	1,401	1,482
Total net assets	68,892	71,148
Total liabilities and net assets	85,428	83,979

(2) [Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income]
 [Quarterly consolidated statements of income]
 [3rd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2016; ended June 30, 2017)	Current 3rd quarter consolidated cumulative period (Started October 1, 2017; ended June 30, 2018)
Sales	44,625	45,289
Cost of sales	15,501	14,874
Gross profit	29,124	30,414
Selling, general and administrative expenses	22,155	22,941
Operating income	6,968	7,472
Non-operating income		
Interest income	23	23
Dividend income	110	122
Dividend income of insurance	12	5
Land and house rent received	32	34
Share of profit of entities accounted for using equity method	4	11
Other	16	58
Total non-operating income	198	255
Non-operating expenses		
Interest expenses	3	2
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	3	2
Ordinary income	7,163	7,725
Extraordinary income		
Gains on sale of non-current assets	0	0
Reversal of asset retirement obligations	23	—
Total extraordinary income	23	0
Extraordinary losses		
Loss on disposal of non-current assets	1	4
Loss on valuation of investment securities	—	53
Total extraordinary losses	1	58
Quarterly net income before taxes and adjustments	7,185	7,667
Income taxes - current	1,841	2,057
Income taxes - deferred	525	451
Total income taxes	2,367	2,508
Quarterly net income	4,818	5,158
Quarterly net income attributable to non-controlling interests	69	89
Quarterly net income attributable to owners of parent	4,748	5,069

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

(Unit: millions of yen)

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2016; ended June 30, 2017)	Current 3rd quarter consolidated cumulative period (Started October 1, 2017; ended June 30, 2018)
Quarterly net income	4,818	5,158
Other comprehensive income		
Valuation difference on available-for-sale securities	1,077	(44)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	1,078	(44)
Quarterly comprehensive income	5,896	5,114
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	5,818	5,021
Quarterly comprehensive income attributable to non- controlling interests	78	92

[Notes]

(Notes to changes in the scope of consolidation and application of the equity method)

Important changes in the scope of consolidation

TKC Customer Support Service Co., Ltd., which was a non-consolidated subsidiary of the Company, is included in the scope of consolidation from the current 3rd quarter consolidated accounting period due to an increase in its importance.

(Notes to quarterly consolidated statements of cash flows)

The Company does not prepare the quarterly consolidated statements of cash flows for the current 3rd quarter consolidated cumulative period. The following is the depreciation for the current 3rd quarter consolidated cumulative period, including that for intangible assets:

	Previous 3rd quarter consolidated cumulative period (Started October 1, 2016; ended June 30, 2017)	Current 3rd quarter consolidated cumulative period (Started October 1, 2017; ended June 30, 2018)
Depreciation	2,037 million yen	1,982 million yen

(Notes to equity, etc.)

I. Previous 3rd quarter consolidated cumulative period (started October 1, 2016; ended June 30, 2017)

Dividends 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
May 10, 2017 Ordinary general meeting of shareholders	Common stock	1,060	40	March 31, 2017	June 12, 2017	Retained earnings

II Current 3rd quarter consolidated cumulative period (started October 1, 2017; ended June 30, 2018)

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
May 2, 2018 Ordinary general meeting of shareholders	Common stock	1,319	50	March 31, 2018	June 11, 2018	Retained earnings

(Segment information, etc.)

[Segment information]

I. Previous 3rd quarter consolidated cumulative period (started October 1, 2016; ended June 30, 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	31,130	10,650	2,844	44,625	-	44,625
(2) Inter-segment sales or transfers	2	0	1,463	1,467	(1,467)	-
Total	31,133	10,651	4,308	46,093	(1,467)	44,625
Segment profit or loss	6,169	566	223	6,959	9	6,968

(Notes) 1. Adjustments of segment profit of 9 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 3rd quarter consolidated cumulative period (started October 1, 2017; ended June 30, 2018)

Information on net sales and profit or loss by reportable segments

(Unit: millions of yen)

	Reportable segment				Adjustment s (Notes) 1	Amounts in quarterly consolidated statements of income (Notes) 2
	Accounting Firm BD	Local Governmen ts BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	32,215	10,168	2,905	45,289	-	45,289
(2) Inter-segment sales or transfers	3	-	1,427	1,431	(1,431)	-
Total	32,219	10,168	4,333	46,720	(1,431)	45,289
Segment profit or loss	6,836	338	291	7,466	6	7,472

(Notes) 1. Adjustments of segment profit of 6 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 3rd quarter consolidated cumulative period (Started October 1, 2016; ended June 30, 2017)	Current 3rd quarter consolidated cumulative period (Started October 1, 2017; ended June 30, 2018)
(1) Quarterly net income per share	178.97 yen	192.17 yen
(Basis for the calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	4,748	5,069
Amount not attributable to common shareholders (millions of yen)	-	-
Quarterly net income attributable to owners of parent having the common shares (millions of yen)	4,748	5,069
Average number of common shares outstanding (hundreds of shares)	265,342	263,789
(2) Quarterly diluted net income per share	178.19 yen	191.31 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)	1,149	1,180
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 2, 2018, stated as follows.

- (a) Total amount of cash dividends by the interim dividends 1,319 million yen
(b) Dividend per share 50.00 yen
(c) Effective date for payment claim and commencement date for payment June 11, 2018

(Note) The dividends are payable to the shareholders listed or recorded on the Register of shareholders as of March 31, 2018.

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

Not applicable.

Independent Auditors' Quarterly Audit Report

August 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
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, 2017 and ending September 30, 2018) for the 3rd quarter consolidated accounting period (from April 1, 2018 to June 30, 2018) and for the 3rd quarter consolidated cumulative period (from October 1, 2017 to June 30, 2018) 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 June 30, 2018 and operating results for the 3rd quarter consolidated cumulative period ending June 30, 2018 included in the quarterly consolidated financial statements referred to above have not been properly presented, in all material respects, in accordance with accounting principles of quarterly consolidated financial statements generally accepted in Japan.

Interest

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

End of document.

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

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

[Front Cover]

[Document filed]	Written confirmation
[Applicable law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	August 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 Business 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 3rd quarter (started April 1, 2018; ended June 30, 2018) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

Not applicable.