

Quarterly Report

(The 51st Term 3rd Quarter)

Started April 1, 2017

Ended June 30, 2017

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi Prefecture, Japan

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Section 1 [Corporate Information]

Part 1 [Corporate Overview]

1[Changes in key financial data, etc.]

| Fiscal year | | 50th Term 3rd quarter consolidated cumulative period | 51st Term 3rd quarter consolidated cumulative period | 50th Term |
|---|----------------------|---|---|--|
| Accounting period | | Started October 1, 2015; ended June 30, 2016 | Started October 1, 2016; ended June 30, 2017 | Started October 1, 2015; ended September 30, 2016 |
| Net sales | (Millions of yen) | 43,702 | 44,625 | 57,750 |
| Ordinary income | (Millions of yen) | 7,853 | 7,163 | 7,604 |
| Quarterly (current) net income attributable to owners of the parent | (Millions of yen) | 4,959 | 4,748 | 4,770 |
| Quarterly comprehensive income or comprehensive income | (Millions of yen) | 3,934 | 5,896 | 3,958 |
| Net assets | (Millions of yen) | 64,533 | 68,099 | 64,556 |
| Total assets | (Millions of yen) | 77,434 | 81,095 | 81,116 |
| Quarterly (current) net income per share | (Yen) | 186.78 | 178.97 | 179.65 |
| Quarterly (current) diluted net income per share | (Yen) | 185.98 | 178.19 | 178.88 |
| Equity ratio | (%) | 81.3 | 82.0 | 77.7 |

| Fiscal year | | 50th Term 3rd quarter consolidated accounting period | 51st Term 3rd quarter consolidated accounting period |
|-----------------------------------|-------|---|---|
| Accounting period | | Started April 1, 2016; ended June 30, 2016 | Started April 1, 2017; ended June 30, 2017 |
| Quarterly net income per share | (Yen) | 60.06 | 54.42 |

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

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

2 [Business description]

There is no significant change in the description of business operated by the TKC Group (i.e., TKC Corporation and its affiliated companies) for the current 3rd quarterly consolidated cumulative period. There is no change in significant affiliated companies.

Part 2 [Business Overview]

1 [Risk Factors]

There were no new risks pertaining to the business operations that occurred during the first 9 month of the current consolidated fiscal year. There were no significant changes to the risks factors described in the annual securities report of the previous fiscal year.

2 [Material Agreements, etc.]

There has been no decision or execution of material agreements, etc. during the first 9 months of the current consolidated fiscal year.

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

I. Operating Results

During the first 9 months of the current consolidated fiscal year, the consolidated Group comprising of TKC Corporation and its five consolidated subsidiaries recorded a net sales of 44,625 million yen (increased 2.1% in comparison to the same 9-month period of prior fiscal year), operating income of 6,968 million yen (decreased 9.5% from same period of prior fiscal year), ordinary income of 7,163 million yen (decreased 8.8% from same period of prior fiscal year), and quarterly net income attributable to owners of parent of 4,748 million yen (decreased 4.2% from same period of prior fiscal year).

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

Net sales for the first 9 months of current fiscal year by business division are shown below.

1. Results of Operation of the Group for the 3rd Quarter

(1) Net Sales of the Accounting Firm Business Division

- (i) Net sales of the Accounting Firm BD were 31,130 million yen (increased 4.1% from same period of prior fiscal year); operating income was 6,169 million yen (increased 6.2% from same period of prior fiscal year).
- (ii) Computer service sales increased 4.1% from same period of prior fiscal year. This was due to continuous growth from the previous fiscal year in the user base of cloud services such as the FX4 Cloud Integrated Accounting Information System for mid-sized companies, 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 5.8% from same period of prior fiscal year. This was due to growth in the user base of the FX4 Cloud and the e21-Meister as well as tax return systems for inheritance taxes and year-end adjustments, etc.
- (iv) Sales from consulting services decreased 10.7% from same period of prior fiscal year. This was due to decrease in revenue from the client/server system launch support services and hardware maintenance services as a result of growth in the number of the users of the FX4 Cloud and other systems.
- (v) Sales in hardware increased by 7.6% from same period of prior fiscal year. This was due to growth in the sales of file servers, which the Company started handling as equipment to store administrative document files for accounting firms.

(2) Net Sales of the Local Governments Business Division

- (i) Net sales of the Local Governments BD were 10,650 million yen (decreased 3.1% from same period of prior fiscal year); operating income was 566 million yen (decreased 65.4% from same period of prior fiscal year).
- (ii) Sales from computer services increased by 3.4% from same period of prior fiscal year. This was due to growth in the user base of the New Generation TASK Cloud, the Convenience Store Certificate Issuing System and other services.

- (iii) Software sales decreased 21.3% from same period of prior fiscal year. This was because we had no major projects in response to change in law such as the major system revisions accompanying the launch of the My Number system during the previous fiscal year.
- (iv) Sales from consulting services decreased 8.0% from same period of prior fiscal year. This was because sales associated with the upgrades of the local tax electronic declaration system during the previous fiscal year are no longer posted for the current fiscal year, despite the increase in the sales relating to local adjustments associated with the increase in the sales of hardware.
- (v) Sales in hardware increased by 97.3% from same period of prior fiscal year. This was attributable to the increase in sales of servers and network devices in connection with information security system enhancements accompanying the launch of the My Number system (information security system enhancements by municipalities).

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

- (i) Net sales of the Printing BD were 2,844 million yen (increased 1.4% from same period of prior fiscal year); operating income was 223 million yen (decreased 10.8% from same period of prior fiscal year).
- (ii) Sales of data printing service-related products increased by 1.8% from same period of prior fiscal year. This was due to large contract projects and election-related orders from government offices and affiliate organizations, despite the decrease in orders for direct mail productions from private companies in comparison to the previous fiscal year.
- (iii) Business form-related sales decreased by 2.8% from same period of prior fiscal year. This was due to continuous decline in the demands for business forms.

2. Important Matters Relating to the Entire Company

(1) Establishment of the Customer Support Center

In order to enhance our support services to the users of our systems, the Company is constructing a new office building, Customer Support Center in Kanuma-shi, Tochigi. The Center is scheduled to start its operation in April 2018. In conjunction with this, the Company plans to increase the number of staff for telephone support operations from the current 100 up to 300 staff by March 2018.

(2) Acquisition of the ISO 27017 Certification

The TKC Internet Service Center acquired third party accreditation for conformity to ISO/IEC 27017 for the cloud service security controls (registration date of certification: June 19, 2017). The ISO/IEC 27017 is the international standard for information security controls applicable to the provision and use of cloud services. We will further strengthen our information security controls for cloud services by complementing our initiatives under the general ISO/IEC 27001 information security management systems with this new ISO/IEC 27017.

In October 2015, the Company was the first in Japan to acquire third party accreditation for conformity to ISO/IEC 27018, an international standard specializing in the protection of personal information in relation to public cloud services. By acquiring ISO/IEC 27017 accreditation, we, as a provider of cloud services, further strengthen our initiatives for developing and operating information security controls and continue to provide an environment for our clients in which they could use our cloud services in a safe, secured and convenient manner.

(3) Newly Establishing the AI Research Center

On April 1, we established the AI Research Center, a division directly controlled by the president of the Company, in order to collect and analyze the latest trends of AI for internal use as well as for application to our products and services. The Company launched the Project to Utilize and Research Big Data and AI in fall of 3016, initiated mainly by the systems development division and has been conducting research on the possibilities of the utilization of AI. With the outcome of this project, the Center will conduct research on advanced technologies and products as well as provides technical support for the production, evaluation and functional installation of prototype products by seeking ideas from both inside and outside of the Company in an aim to achieve the practical use of products within 1 to 2 years.

(4) Newly Establishing the Information Security Strategy Office

On June 1, the Company established the Information Security Strategy Office in order to further strengthen the management of information security. The Office initiates to take necessary measures and to strengthen information security controls in accordance with the Cyber Security Management Guidelines (December 2015) announced by the Ministry of Economy, Trade and Industry and the Information-technology Promotion Agency, Japan.

While the use of ICT becomes more common, cyber-attacks targeting at important information such as personal information owned by organizations are increasing and their ways of deception are becoming more sophisticated.

The Company provides a variety of information to accounting firms and their clients and local governments through the use of latest IC, ensuring that information security is our highest priority and also a social responsibility in conducting our business activities. We continue to strengthen the our information security controls in order for our clients to use our services in a safe manner.

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

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

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

- (1) Activities of the TKC National Federation ("TKCNF")
 - (i) Activity policy of TKCNF

In the TKCNF Policy Presentation held in January 2014, TKCNF added a new business objective "to provide support for the business continuity and prosperity of SMEs" to its existing business objectives, and has worked actively towards such achievement.

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

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

-Priority initiative 1: Engage in activities under the three core themes to fulfill its social responsibilities.

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

-Priority initiative 2: Exhibit the collective capability of TKC Member Firms and establish a high value-added network.

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

- a) TKC monitoring information services
- b) Support for business improvements (support for the drafting of business improvement plans at an early stage)
- c) Establishment of business, business succession, support for overseas expansion, etc.

Such activities of TKCNF utilize the systems and services provided by the Company. The Company supports the

activities of TKCNF and is actively engaged in the development and provision of computer services and software that are to the benefit of the prosperity and success of SMEs.

(2) Support for the important activities of TKCNF

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

(i) Activities to promote TKC self-accounting systems (promotion of the FX series)

(a) The Company provides support to approximately 1,850 TKC Member Firms to hold self-accounting promotion meetings so that they can promote the use of TKC self-accounting systems on their own. At these meetings, we determine promotion targets, and promotion methods, provide information regarding the enhanced functions of the FX series and training to utilize such information as well as share information regarding example cases of promotion. Member Firms that held meetings on a continuing basis showed significant performances in introducing the FX series to their clients, resulting an increase of 109.8% from the same period of the previous fiscal year.

In the 3rd quarter of the current fiscal year, we provided highly value-added services to be rendered by TKC Member Firms to their client companies and furnished information to increase the advantages of the clients of the FX series including a training seminar on the use of the 365 Days Updatable Profit and Loss Statement and utilization of management by division, as well as utilization of TKC Documented Evidence Storage Service added on April 1 as a function to the FX series.

(b) On June 1, we started the services of TKC System My Support in order to support the user companies of the FX series for their smooth operations of the system and to ensure an environment in which TKC Member Firms can promote the use of self-accounting with a peace of mind. Services will now be provided directly to the client companies of TKC Member Firms by our professionally educated employees upon request of TKC Member Firms, in light of the circumstances where the operational environments of computing systems at SMEs have become more complex recently due to the innovation of ICT and the growth of cloud computing.

As a result of these activities, the number of FX series users totaled approximately 245,000 companies as of June 30, 2017.

(ii) Activities to retain good-standing clients (promotion of the FX4 Cloud)

The Company offers 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 good-standing clients and expand their client base.

1) Support activities to enhance the strength of TKC Member Firms in planning

In the 3rd quarter of the current fiscal year, the Company focused on enhancing the proposal capabilities of TKC Member Firms by conducting activities based on the concepts of "more efficient accounting work by utilizing the functions to receive data from banks and credit card companies," "more efficient accounting work by utilizing the functions to share journal entries with business systems of other companies," and "business performance control by division and by level, and utilization of management report design tools" as well as holding seminars on how to provide consulting for client companies utilizing bird's-eye view business models.

2) Business support activities for corporate groups

In order to support TKC Members to expand their client base and the number of FX series users, the Company offers support activities including support for establishing the monthly settlements systems and support for drafting business plans for corporate groups such as franchise chains and voluntary chains in aim to strengthen managerial powers of participating member stores.

In the 3rd quarter of the current fiscal year, we, in collaboration with Lotas, Inc. (agreement dated April 11) and AZ-COM Maruwa Support Network (agreement dated July 1), started to provide training sessions and consulting services including individual consultations conducted by TKC Member Firms.

As a result of these activities, the number of the FX Cloud users totaled approximately 10,000 companies as of June 30, 2017.

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

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

During the 3rd quarter of the current fiscal year, we asked TKC Members to invite non-member accountants to participate in seminars targeting non-members scheduled to start in July. As a result, we have been introduced to approximately 850 non-member accountants by the end of June. We solicited them to be TKC Member by providing information including the roles of TKC and TKCNF in establishing the mandatory electronic corporate tax filing system and the policy of TKCNF to provide support for the drafting of business improvement plans at an early stage.

As a result of these activities, the total number of TKC Members counted approximately 9,400 firms with 11,000 accountants as of June 30, 2017.

(iv) Activities to promote Tax Accountants Office Management System (OMS)

The Company provides the Tax Accountants Office Management System (OMS) in an aim to improve the productivity and operational quality of TKC Member firms.

During the 3rd quarter of the current fiscal year, we promoted the services of the OSM including the self-generation of business account books and the complete performance of audit obligations against employees by appealing the realization of compliant management of accounting firms.

As a result of these activities, the number of OMS users totaled about 6,600 firms as of June 30, 2017.

(3) Initiatives for FinTech

(i) FinTech service for clients of TKC Members

We strive for promoting the use of functions to receive data from banks and credit card companies in FinTech service, that started in June 2016. This function enables the clients to automatically receive transaction data of internet banking services offered by more than 99% of financial institutions (corporate accounts)* across Japan as well as statements of major credit cards, and to easily and accurately post journal entries based on preset rules.

In the 3rd quarter of the current fiscal year, the Company promoted the use of the FX series by making appeals of more efficient journal entries by utilizing this function as well as initiatives toward an API (Application Programming Interface) in cooperation with The Bank of Tokyo-Mitsubishi UFJ and Jyo Bank in order to further improve convenience of the function.

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

(ii) FinTech service for financial institutions

(a) Promoting TKC Monitoring Information Service

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

With this Cloud service, TKC Member firms can provide, upon request of their clients, financial data, whose credibility, substantiality, and completeness are confirmed by TKC Members by monthly Filed Audits, to financial institutions. This service has been adopted by many financial institutions, as the reliability of monthly trail balances and financial reports provided by the service are highly acclaimed.

During the 3rd quarter of the current fiscal year, the Company continued to promote from the previous fiscal year the use of the service by supporting to host 20 councils for the TKC Regional Associations and financial institutions across Japan. As a result of the effort, this service is adopted by over 240 financial institutions as of June 30, 2017.

(b) Providing the Local Benchmark Cloud

On June 1, we started to provide the services of the TKC Local Benchmark Cloud that enables clients to create the Local Benchmark promoted by the Ministry of Economy, Trade and Industry.

The Local Benchmark created by this service can be provided to financial institutions through the TKC Monitoring Information Service with the consent of management, leading to support to nurture a relationship of mutual trust between clients and financial institutions.

(4) Support for the Drafting of Business Improvement Plans at an Early Stage

On May 10, the Small and Medium Enterprise Agency announced that it will provide support for the drafting of business improvement plans at an early stage as part of the support project for the drafting of business improvement plans provided by approved support agencies.

This aims to “support SMEs to be able to manage their financing and profit in their normal business circumstances by utilizing the scheme of the support project for the drafting of business improvement plans provided by approved support agencies in order to increase awareness among SMEs for business improvement at an early stage so that SMEs can engage in the basic activities for business improvement (the drafting of business improvement plans at an early stage).”

TKCNF is actively engaged in the development of this project, which matches the concept of the priority activity themes of TKCNF, and the Company has modified systems and planned training seminars to support this project.

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

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

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

(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 clients on a monthly basis to provide guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed in a timely manner.

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

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

TKCNF recommends that clients of TKC Members use the Chusho Kaikei Yoryo (Guidelines for SME Accounting, "Guideline") for the accounting guideline to conduct their accounting operations. This Guideline has been developed based on the ideas including: 1) accounting useful to grasp the status of business management; 2) accounting reliable to provide information to stakeholders (such as financial institutions); 3) accounting in compliance with the

Ordinance on Company Accounting as well as in harmony with taxation system; and 4) accounting not imposing excessive burden on SMEs. In accordance with the public notices issued by five Ministries, namely, Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism, in August 2012, support agencies for business innovation (certified public tax accountants and financial institutions) certified in accordance with the Act on Support for Strengthening Management Functions for SMEs were encouraged to use the Guideline.

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

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

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

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

During the 3rd quarter of the current fiscal year, the Company held seminars with the themes entitled (a) "Tax Reform" and "Accounting Operation Utilizing Artificial Intelligence (AI)" in collaboration with TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,270 members as of June 30, 2017), and (b) "Chinese Accounting and China Risk" in cooperation with TKCNF's Oversea Expansion Support Committee (consisting of approximately 500 members as of June 30, 2017) in order to acquire new customers. In addition, we held seminars on electronic tax filing (corporate tax and local tax) for beginners at Tokyo, Osaka and Nagoya every month since May in response to the policy of mandatory of electronic tax filing for large corporations announced by the Administrative Procedures Committee of the Regulatory Reform Promotion Council of the Cabinet Office. Further, we promoted and introduced a variety of services and multiple systems targeting the companies using our system by leveraging the advantages of the Company's systems, which encompass all aspects of account settlements and tax declaration on corporate group levels.

As a result of these activities, the number of companies using the TKC Consolidated Group Solution counted approximately 2,700 corporate groups (or about 18,200 companies) as of June 30, 2017, the services being adopted by more than 75% of the leading 100 Japanese listed companies in sales. More than 800 TKC Members have been appointed system consultants by these companies.

(8) Expansion of markets for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 282,000 judicial precedents, etc. (as of June 30, 2017) covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently announced as well as precedents collected through our own channel, being the largest database of its kind in Japan. The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 907,000 bibliographic information references with links to 51 of the Databases of Professional Journals, with total items of information now exceeding 2,350,000. As of June 30, 2017, the Library is used by approximately 50,000 IDs of users and over 16,600 institutions, including TKC Member Firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

In the 3rd quarter of the current fiscal year, the Company continued to promote the sales of the practical contents of TKC Law Library by specifically packaging the contents for targeting customers (i.e., the Law Firm Package for law

firms and Corporate Law Package for companies). In March 2017, we launched a labor law-related portal site Labor Law EX+ which was co-developed with one of our business partners, Roudou Kaihatsu Kenkyukai Co.,Ltd., in an aim to create a new sales channel and to expand sales of the contents, targeting the members of the study group of labor law as well as the users of TKC Law Library.

In the academic field, we offered 56 law schools educational support systems at an early stage based on the use of the TKC Law School Educational Support System as well as supported them to be able to apply for the Public Support Program for Law Schools Concerning the Revision of Budget Distribution of the Ministry of Education, Culture, Sports, Science and Technology. In addition, the exercise systems included in the system to aid students in self-study (Basic Skill Tests, Study Drills of Short Answer Questions from Past Exams and the Essay Writing Seminar), as well as the effective use of Learning Support NAVI and Study Drills of Past Exams provided functions enabling more students to create study plans, check their progress and study the necessary precedents in the lead up to the bar exam, leading to the increasing number of users.

As for the sales of TKC Law Library (Overseas Edition) through agents, we have received inquiries from courts, governmental agencies, universities and law firms in South Korea, Taiwan, China and other Asian countries as well as other countries including Germany, the U.K. and the U.S. As of June 30, 2017, over 60 licenses are in use worldwide, with further growth anticipated in the future, particularly in the Asian regions.

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

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

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

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

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers and shared by all municipalities across Japan (offered both for individual use and shared use by multiple organizations), and serves as a model for local government cloud systems that the Japanese government seeks to establish, having been adopted by 5 groups (36 organizations).

As of June 30, 2017, over 140 organizations nationwide have adopted our services.

During the 3rd quarter of the current fiscal year, the Company was engaged in enhancing the function of mission-critical operational systems (such as basic resident register system, taxation and welfare), the New Generation TASK Cloud (compatible with My Number system)*, for the preparation of the shared information system being built between Japanese and local governments, the full operation of the system being scheduled to start in fall 2017 as well as in supporting our client organizations for the preparation of comprehensive operational testing.

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

(2) Expansion of cloud services for residents

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

In response, the TASK Cloud Convenience Store Certificate Issuing System has been provided to realize this service. Our extensive track record as the first cloud service for municipalities across Japan has attracted the interest of many local governments including government ordinance-designated cities, and 60 municipalities have adopted the TASK Cloud Convenience Store Certificate Issuing System as of June 30, 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 a cloud-based service for electronic filing of local taxes and the electronic tax payment offered by the Council. We also develop and provide data connection services to connect the individual tax systems of various municipalities with the Council's platform.

These services are proposed in collaboration with 46 system vendors with whom we have signed alliance partner agreements, and the Support Service for TASK Cloud Electronic Filing of Local Taxes is currently used by more than 727 agencies which account for approximately 40% of all municipalities (as of June 30, 2017).

Our TASK Cloud Taxation Document Image Management Service is drawing attention as means of preventing information leakage caused by paper media, as well as streamlining taxation-related affairs and reducing associated costs. This service is used by over 80 municipalities as of June 30, 2017.

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

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

The Company provides the TASK Cloud Public Accounting System and the associated TASK Cloud Fixed Assets Control System to comply with this requirement. During the 3rd quarter of the current fiscal year, the Company strengthened and enhanced financial documents (balance sheets and administrative cost statements) as one of the new functions of the TASK Cloud Public Accounting System. The TASK Cloud Public Accounting System is a packaged system providing support for Hibi-Shiwake(Daily Bookkeeping), as well as is adopted by about 170 agencies as of June 30, 2017, being acclaimed of its easy-to-use system as achieving "accurate automatic journal entries" by utilizing patent technology.

(5) Compliance with revised laws and systems

Local governments are required to achieve to improve the convenience of citizens and to enhance the efficiency of the administrative operations by utilizing the My Number cards, as well as to comply with the Act for Partial Revision of the Long-Term Care Insurance Act, Etc., in Order to Strengthen the Integrated Community Care System, which is scheduled to be enacted in next spring.

In order to support compliance to these requirements, the New Products Planning and Promotion Office (established on October 1, 2016) of the Company as a core department for this support has researched, studied and developed new products and services (including the easy-to-use counter system, the child care one-stop support service and the social welfare consulting support system, etc.) by utilizing My Number card, Myna Portal and the most advanced ICT such as AI.

The Company was certified by the Minister of Internal Affairs and Communications for the first certified company in the program of the utilization of My Number cards by private sectors initiated by the Ministry, notified as of March 1. During the 3rd quarter of the current fiscal year, we were engaged in the preparation to start the utilization of verification/permit for access to a security room and verification/permit for handling personal information.

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

The Group's Printing BD is engaged in the printing of business forms and manufacturing and sales of service and

products around its data printing services.

In the field of business form printing, although demand of business form are generally on a downward trend, the drop was again minute in the 3rd quarter of the current fiscal year thanks to regular orders from major clients.

Data printing service sales increased due to an increase in orders received for articles relating major government contract project, the election of the Tokyo metropolitan assembly, direct mail productions for other client companies, and regular orders for business process outsourcing such as invoices and notice operations, resulting in a 1.4% increase in sales from the same period of the prior fiscal year.

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 81,095 million yen, a 20 million yen decrease compared to 81,116 million yen as of the end of the previous consolidated fiscal year.

(1) Current assets

Current assets as of the end of the current 3rd quarter consolidated accounting period amounted to 26,414 million yen, a 3,139 million yen decrease compared to 29,554 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,440 million yen decrease in Cash and deposits, an 61 million yen decrease in Accounts receivable - trade, and a 634 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 54,680 million yen, an 3,118 million yen increase compared to 51,562 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 3,535 million yen in Investment securities and a 633 million yen increase in Construction in progress account included in Other of Property, plants and equipment, despite a 1,000 million yen decrease in Long-term deposits.

2.Liabilities

Total liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 12,995 million yen, a 3,564 million yen decrease compared to 16,559 million yen as of the end of the previous consolidated fiscal year.

(1) Current liabilities

Current liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 9,685 million yen, a 3,733 million yen decrease compared to 13,419 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 924 million yen decrease in Accounts payable – trade, a 1,784 million yen decrease in Income taxes payable and a 1,374 million yen decrease in Provisions for bonuses, despite a 415

million yen increase in Deposits received included in Other.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 3rd quarter consolidated accounting period amounted to 3,309 million yen, a 169 million yen increase compared to 3,140 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 144 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 68,099 million yen, an 3,543 million yen increase compared to 64,556 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 2,621 million yen in Retained earnings and an increase of 1,069 million yen in Valuation difference on available-for-sale securities.

Equity ratio as of the end of the 3rd quarter of the current consolidated accounting period was 82.0%, a 4.3% increase compared to the ratio of 77.7% as of the end of the previous consolidated fiscal year.

III Operational and Financial Challenges Facing the TKC Group

There is no significant change in challenges faced by the TKC Group during the current 3rd quarterly consolidated cumulative period.

IV Research and Development Activities

An amount of 33 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, 2017) | Number of shares issued as of the filing date (shares) (August 14, 2017) | Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association | Description |
|--------------|---|--|--|--------------------------------------|
| Common stock | 26,731,033 | 26,731,033 | First Section of Tokyo Stock Exchange | Number of the share unit: 100 shares |
| Total | 26,731,033 | 26,731,033 | - | - |

(2) [Share subscription rights, etc.]

Not applicable.

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

Not applicable.

(4) [Rights Plan]

Not applicable.

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

| Date | Increase or decrease in total number of issued shares (shares) | Balance of total number of issued shares (shares) | Increase or decrease in capital stock (Millions of yen) | Balance of capital stock (Millions of yen) | Increase or decrease in capital reserve (Millions of yen) | Balance of capital reserve (Millions of yen) |
|-------------------------------------|--|---|---|--|---|--|
| From April 1, 2017 to June 30, 2017 | - | 26,731,033 | - | 5,700 | - | 5,409 |

(6) [Major shareholders]

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

(7) [Voting rights]

"Information on voting rights" described in the below table is based on the shareholder registry as of the most recent record date (i.e., September 30, 2016) due to unavailability of the details of the shareholder registry as of the end of the current 3rd quarterly accounting period.

(i) [Issued shares]

As of March 31, 2017

| Classification | Number of shares (shares) | Number of voting rights (units) | Description |
|--|---------------------------|---------------------------------|-------------|
| Shares without voting right | — | — | — |
| Shares with restricted voting right (treasury stock, etc.) | — | — | — |
| Shares with restricted voting right (others) | — | — | — |
| Shares with full voting right (treasury stock, etc.) | Common stock 230,100 | — | — |
| Shares with full voting right (others) | Common stock 26,461,500 | 264,615 | — |
| Shares less than one share unit | Common stock 39,433 | — | — |
| Total number of issued shares | 26,731,033 | — | — |
| Total voting rights held by all shareholders | — | 264,615 | — |

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

(ii) [Treasury stock, etc.]

As of March 31, 2017

| Name of owner | Address of owner | Number of shares held under own name (shares) | Number of shares held under other name (shares) | Total number of owned shares (shares) | Ratio of total number of owned shares to total number of issued shares (%) |
|-------------------------|---|---|---|---------------------------------------|--|
| TKC Corporation | 1758 Tsurutamach, Utsunomiya-shi, Tochigi | 224,600 | — | 224,600 | 0.84 |
| TKC Shuppan Corporation | 4-8-8 Kudanminami, Chiyoda-ku, Tokyo | 5,500 | — | 5,500 | 0.02 |
| Total | — | 230,100 | — | 230,100 | 0.86 |

2 [Officers]

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

Part 4 [Financial Information]

1. Method of Preparing Quarterly Consolidated Financial Statements

The quarterly consolidated financial statements of the Company have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of August 10,2007).

2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 2nd quarter consolidated accounting period (from January 1, 2017 to March 31, 2017) and the 2nd quarter consolidated cumulative period (from October 1, 2016 to March 31, 2017) have been audited by Ernst & Young ShinNihon LLC pursuant to the provision of Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act.

1 Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Unit: Millions of yen)

| | Previous consolidated fiscal year (As of September 30, 2016) | Current 3rd quarter consolidated accounting period (As of June 30, 2017) |
|---------------------------------------|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 19,552 | 17,111 |
| Notes and accounts receivable - trade | 6,335 | 6,279 |
| Inventories | ※ 631 | ※ 517 |
| Other | 3,069 | 2,542 |
| Allowance for doubtful accounts | △36 | △37 |
| Total current assets | 29,554 | 26,414 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,554 | 6,538 |
| Land | 6,607 | 6,922 |
| Other, net | 1,743 | 2,633 |
| Total property, plant and equipment | 14,906 | 16,093 |
| Intangible assets | 3,712 | 3,707 |
| Investments and other assets | | |
| Investment securities | 20,216 | 23,752 |
| Long-term time deposits | 7,000 | 6,000 |
| Guarantee deposits | 1,303 | 1,311 |
| Other | 4,422 | 3,815 |
| Total investments and other assets | 32,943 | 34,879 |
| Total non-current assets | 51,562 | 54,680 |
| Total assets | 81,116 | 81,095 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 2,602 | 1,678 |
| Shore-term loans payable | 111 | 111 |
| Accounts payable - other | 4,191 | 3,340 |
| Income taxes payable | 2,203 | 418 |
| Provisions for bonuses | 2,853 | 1,478 |
| Other | 1,457 | 2,658 |
| Total current liabilities | 13,419 | 9,685 |
| Non-current liabilities | | |
| Long-term loans payable | 295 | 241 |
| Net defined benefit liabilities | 1,583 | 1,727 |
| Other | 1,261 | 1,340 |
| Total non-current liabilities | 3,140 | 3,309 |
| Total liabilities | 16,559 | 12,995 |

(Unit: Millions of yen)

| | Previous consolidated fiscal year (As of September 30, 2016) | Current 3rd quarter consolidated accounting period (As of June 30, 2017) |
|---|--|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,700 | 5,700 |
| Capital surplus | 5,419 | 5,409 |
| Retained earnings | 52,606 | 55,227 |
| Treasury stock | △350 | △559 |
| Total shareholders' equity | 63,374 | 65,777 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | △339 | 729 |
| Total accumulated other comprehensive income | △339 | 729 |
| Subscription rights to shares | 176 | 178 |
| Non-controlling interests | 1,345 | 1,414 |
| Total net assets | 64,556 | 68,099 |
| Total liabilities and net assets | 81,116 | 81,095 |

(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, 2015; ended June 30, 2016) | Current 3rd quarter consolidated cumulative period (Started October 1, 2016; ended June 30, 2017) |
|--|--|---|
| Net sales | 43,702 | 44,625 |
| Cost of sales | 14,952 | 15,501 |
| Gross profit | 28,750 | 29,124 |
| Selling, general and administrative expenses | * 21,052 | * 22,155 |
| Operating income | 7,698 | 6,968 |
| Non-operating income | | |
| Interest income | 29 | 23 |
| Dividend income | 105 | 110 |
| Dividend income of insurance | 17 | 12 |
| Land and house rent received | 28 | 32 |
| Share of profit of entities accounted for using equity method | - | 4 |
| Other | 16 | 16 |
| Total non-operating income | 198 | 198 |
| Non-operating expenses | | |
| Interest expenses | 4 | 3 |
| Foreign exchange losses | - | 0 |
| Share of loss of entities accounted for using equity method | 38 | - |
| Other | 0 | 0 |
| Total non-operating expenses | 42 | 3 |
| Ordinary income | 7,853 | 7,163 |
| Extraordinary income | | |
| Gains on sale of non-current assets | 10 | 0 |
| Reversal of asset retirement obligations | - | 23 |
| Total extraordinary income | 10 | 23 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | - |
| Loss on disposal of non-current assets | 25 | 1 |
| Total extraordinary losses | 25 | 1 |
| Quarterly profit before income taxes | 7,838 | 7,185 |
| Income taxes - current | 2,332 | 1,841 |
| Income taxes - deferred | 476 | 525 |
| Total income taxes | 2,808 | 2,367 |
| Quarterly net Profit | 5,029 | 4,818 |
| Quarterly net profit attributable to non-controlling interests | 70 | 69 |
| Quarterly net profit attributable to owners of parent | 4,959 | 4,748 |

(Quarterly consolidated statements of comprehensive income)
(3rd quarter consolidated cumulative period)

(Unit: Millions of yen)

| | Previous 3rd quarter consolidated cumulative period (Started October 1, 2015; ended June 30, 2016) | Current 3rd quarter consolidated cumulative period (Started October 1, 2016; ended June 30, 2017) |
|---|--|---|
| Quarterly net profit | 5,029 | 4,818 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | △1,094 | 1,077 |
| Share of other comprehensive income of entities accounted for using equity method | △0 | 0 |
| Total other comprehensive income | △1,095 | 1,078 |
| Quarterly comprehensive income | 3,934 | 5,896 |
| (Breakdown) | | |
| Quarterly comprehensive income attributable to owners of parent | 3,870 | 5,818 |
| Quarterly comprehensive income attributable to non-controlling interests | 64 | 78 |

[Notes]

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the current 3rd quarterly consolidated cumulative period are not prepared. Depreciation (including depreciation of intangible assets) for the 3rd quarterly consolidated cumulative period is stated as follows:

| | Previous 3rd quarterly consolidated cumulative period (Started October 1, 2015; ended June 30, 2016) | Current 3rd quarterly consolidated cumulative period (Started October 1, 2016; ended June 30, 2017) |
|--------------|---|--|
| Depreciation | 1,889 million yen | 2,037 million yen |

(Notes to Equity, etc.)

I Previous 3rd quarterly consolidated cumulative period (Started October 1, 2015; ended June 30, 2016)

Dividend payments

| Resolution | Type of share | Total amount of cash dividends (Millions of yen) | Dividend per share (Yen) | Record date | Effective date | Source of dividends |
|---|-----------------|--|--------------------------------|-----------------------|-------------------|------------------------|
| December 22, 2015 Ordinary general meeting of shareholders | Common stock | 1,009 | 38 | September 30, 2015 | December 24, 2015 | Retained earnings |
| May 13, 2016 Board of Directors | Common stock | 1,062 | 40 | March 31, 2016 | June 13, 2016 | Retained earnings |

II Current 3rd quarterly consolidated cumulative period (Started October 1, 2016; ended June 30, 2017)

Dividend payments

| Resolution | Type 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 Board of Directors | Common stock | 1,060 | 40 | March 31, 2017 | June 12, 2017 | Retained earnings |

(Segment information, etc.)

[Segment information]

I Previous 3rd quarter consolidated cumulative period (started October 1, 2015; ended June 30, 2016)

Information on net sales and profit or loss by reportable segments

(Unit: Millions of yen)

| | Reportable segment | | | | Adjustments (Notes) 1 | Amounts in quarterly consolidated statements of income (Notes) 2 |
|--------------------------------------|-----------------------|-----------------------------|-------------|--------|--------------------------|---|
| | Accounting Firm BD | Local Government s BD | Printing BD | Total | | |
| Sales | | | | | | |
| (1) Sales to outside customers | 29,900 | 10,997 | 2,804 | 43,702 | — | 43,702 |
| (2) Inter-segment sales or transfers | 3 | 0 | 1,494 | 1,498 | (1,498) | — |
| Total | 29,903 | 10,997 | 4,299 | 45,200 | (1,498) | 43,702 |
| Segment profit or loss ((): loss) | 5,807 | 1,636 | 250 | 7,694 | 3 | 7,698 |

(Notes) 1. Adjustments of segment profit of 3 million yen include amounts for elimination of inter-segment transactions and for adjustments of inventory assets.

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

II Current 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 Government s 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 ((): 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 of inventory assets.

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

(Earnings Per Share Information)

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

| | Previous 3rd quarterly consolidated cumulative period (Started October 1, 2015; ended June 30, 2016) | Current 3rd quarterly consolidated cumulative period (Started October 1, 2016; ended June 30, 2017) |
|--|--|---|
| (1) Quarterly net income per share | 186.78 yen | 178.97 yen |
| (Basis for the calculation) | | |
| Quarterly net income attributable to owners of the parent (Millions of yen) | 4,959 | 4,748 |
| Amount not attributable to common shareholders (Millions of yen) | — | — |
| Quarterly net income attributable to common shareholders of the parent (Millions of yen) | 4,959 | 4,748 |
| Average number of common shares outstanding (thousands of shares) | 26,551 | 26,534 |
| (2) Quarterly diluted net income per share | 185.98 yen | 178.19 yen |
| Parent company (Basis for the calculation) | | |
| Quarterly net income adjustments attributable to owners of the parent (Millions of yen) | — | — |
| Number of common shares increased (thousands of shares) | 113 | 114 |
| 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)

(Acquisition of Treasury Stock)

The Company acquired treasury stock by resolution of the Extraordinary Board of Directors held on June 28, 2017 pursuant to the provisions of Article 156 of the Companies Act, applied by replacing the terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act.

1. Reasons for acquiring treasury stock

The Company acquires treasury stock in order to improve capital efficiency and shareholder interest.

2. Details of acquisition

(1) Type of share to be acquired

Common stock of the Company

(2) Total number of shares to be acquired

150,000 shares (upper limit)

(3) Total amount of the acquisition cost of shares

510,000,000 yen (upper limit)

3. Results of acquisition

(1) Total number of acquired shares

125,000 shares

(2) Total amount of acquisition costs

408,125,000 yen

(3) Date of acquisition

July 4, 2017 (Date of agreement: June 29, 2017)

(4) Method of acquisition

The Company purchased treasury stock through the off-hours trading system (ToSTNeT-3) of the Tokyo Stock Exchange, Inc.

2 [Other]

The resolution regarding the interim dividends for the current fiscal year was adopted by the Board of Directors held on May 10, 2017 as follows.

(a) Total amount of cash dividends by the interim dividends: 1,060 million yen

(b) Dividend per share: 40.00 yen

(c) Effective date for payment claim and commencement date for payment: June 12, 2017

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

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

Not applicable.

**Independent Auditors' Quarterly
Audit Report**

August 14, 2017

To: TKC Corporation

The Board of Directors

Ernst & Young
ShinNihon LLC

Designated Limited Liability Partner
Executing Partner

Certified Public Accountant Yasuo Sekiya Seal

Designated Limited Liability Partner
Executing Partner

Certified Public Accountant Yuichi Noda Seal

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the quarterly consolidated financial statements of the consolidated fiscal year of the Company (started from October 1, 2016 and ending September 30, 2017) for the 3rd quarterly consolidated accounting period (from October 1, 2016 to June 30, 2017) and for the 3rd quarterly consolidated cumulative period (from October 1, 2016 to June 30, 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 June 30, 2017 and operating results for the 3rd quarterly consolidated cumulative period ending June 30, 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.

(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 14, 2017 |
| [Company name] | 株式会社TKC (<i>Kabushiki Kaisha TKC</i>) |
| [Company name in English] | TKC Corporation |
| [Title and name of representative] | Kazuyuki Sumi, Representative Director, President and Executive Officer |
| [Title and name of chief financial officer] | Hitoshi Iwata, Representative Director, Vice President and Executive Officer, Chief Director of Administration |
| [Address of head office] | 1758 Tsurutamachi, Utsunomiya-shi, Tochigi |
| [Place available for public inspection] | TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo) |

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

Kazuyuki Sumi, Representative Director, President and Executive Officer of the Company and Hitoshi Iwata, Chief Financial Officer of the Company hereby confirm that the statements contained in the quarterly report for the 51st term 3rd quarter (started April 1, 2017; ended June 30, 2017) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

Not applicable.