

Quarterly Report

(52nd Term 2nd Quarter)

Started January 1, 2018

Ended March 31, 2018

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi Prefecture

Table of Contents

	Page
Front Cover	
Section 1 Corporate Information	
Part 1 Corporate Overview	
1 Changes in key financial data, etc.....	4
2 Business description.....	5
Part 2 Business Overview	
1 Risk factors of business, etc.....	5
2 Material agreements, etc. for management	5
3 Analysis of financial conditions, operating results, and cash flows	5
Part 3 Company Information	
1 Company's stock, etc.	
(1) Total number of shares, etc.....	16
(2) Share subscription rights, etc.....	16
(3) Exercise of corporate bonds with share subscription rights containing a clause for exercise price adjustment, etc.	16
(4) Rights plan	16
(5) Changes in total number of issued shares, capital stock, etc.....	16
(6) Major shareholders.....	17
(7) Voting rights.....	18
2 Officers.....	18
Part 4 Financial Information.....	19
1 Quarterly consolidated financial statements	
(1) Quarterly consolidated balance sheet.....	20
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income.....	21
Quarterly consolidated statements of income.....	21
Quarterly consolidated statements of comprehensive income.....	23
(3) Quarterly consolidated statements of cash flows.....	24
2 Others	28
Section 2 Information on Guarantors, etc. of the Company.....	29

[Quarterly Audit Report] [Written Confirmation]

[Front Cover]

[Document filed]	Quarterly Report
[Applicable law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	May 8, 2018
[Quarterly accounting period]	52nd Term 2nd Quarter (from January 1, 2018 to March 31, 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
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi Prefecture
[Phone number]	028-648-2111
[Contact person]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer, Chief Director of Business Administration
[Contact address]	2-1 Ageba-cho, Shinjuku-ku, Tokyo
[Phone number]	03-3235-5511
[Contact person]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer, Chief Director of Business Administration
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

Section 1 [Corporate Information]

Part 1 [Corporate Overview]

1 [Changes in key financial data, etc.]

Fiscal year		51st Term 2nd quarter consolidated cumulative period	52nd Term 2nd quarter consolidated cumulative period	51st Term
Accounting period		Started October 1, 2016; ended March 31, 2017	Started October 1, 2017; ended March 31, 2018	Started October 1, 2016; ended September 30, 2017
Net sales	(millions of yen)	30,207	30,319	59,705
Ordinary income	(millions of yen)	4,870	4,989	8,792
Quarterly (current) net income attributable to owners of parent	(millions of yen)	3,306	3,298	6,071
Quarterly comprehensive income or comprehensive income	(millions of yen)	4,155	3,380	7,097
Net assets	(millions of yen)	67,419	70,734	68,892
Total assets	(millions of yen)	82,929	86,206	85,428
Quarterly (current) net income per share	(yen)	124.54	125.05	229.13
Quarterly (current) diluted net income per share	(yen)	123.98	124.51	228.16
Equity ratio	(%)	79.5	80.1	78.8
Cash flows from operating activities	(millions of yen)	1,897	2,658	8,123
Cash flows from investing activities	(millions of yen)	(3,350)	(2,227)	(4,617)
Cash flows from financing activities	(millions of yen)	(1,386)	(1,646)	(3,019)
Cash and cash equivalents balance at end of quarter	(millions of yen)	13,713	15,822	17,039

Fiscal year		51st Term 2nd quarter consolidated accounting period	52nd Term 2nd quarter consolidated accounting period
Accounting period		Started January 1, 2017; ended March 31, 2017	Started January 1, 2018; ended March 31, 2018
Quarterly net income per share	(yen)	83.79	60.67

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

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

2 [Business description]

There is no significant change in the description of business operated by the TKC Group (i.e., TKC Corporation and its affiliated companies) for the current 2nd quarter consolidated cumulative period. There is no change in significant affiliated companies.

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

Part 2 [Business Overview]

1 [Risk factors of business, etc.]

There is no risk pertaining to new business operations, etc. arisen during the current 2nd quarter consolidated cumulative period. There is no significant change in risks regarding business operations, etc. described in the annual securities report of the previous fiscal year.

2 [Material agreements, etc. for management]

There is no decision or execution of material agreements, etc. for the management during the current 2nd quarter consolidated accounting period.

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

I Operating Results

The operating results for the current 2nd quarter consolidated cumulative period (hereinafter, "the current 2nd quarter") of the consolidated Group comprising of TKC Corporation and its five companies such as consolidated subsidiaries recorded a net sales of 30,319 million yen (increased 0.4% in comparison to the previous 2nd quarter consolidated cumulative period (hereinafter, "quarter-on-quarter")), operating income of 4,871 million yen (increased 2.4% quarter-on-quarter), ordinary income of 4,989 million yen (increased 2.4% quarter-on-quarter), and net income attributable to owners of parent of 3,298 million yen (decreased 0.2% quarter-on-quarter).

This was mainly due to the steady growth of orders for cloud services received by both the Accounting Firm and Local Governments Business Divisions, making up for the decrease in software and hardware sales by the Local Governments Business Division in relation to the launch of the My Number system that existed in the previous 2nd quarter.

Net sales for the current 2nd quarter by business division are shown below.

1. Results of operation of the TKC Group for the current 2nd quarter

(1) Net sales of the Accounting Firm Business Division

(i) Net sales of the Accounting Firm BD totaled 21,369 million yen (increased 3.6% quarter-on-quarter); operating income was 4,265 million yen (increased 6.8% quarter-on-quarter).

(ii) Computer service sales increased 3.8% quarter-on-quarter. This was due to strong 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 6.2% 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 increase in the number of users of the FX4 Cloud and the e21-Meister continuing from the previous quarter.

(iv) Sales from consulting services decreased 13.7% 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 8.5% quarter-on-quarter. This was due to the decreasing demand as the transition to the cloud services continues to increase.

(2) Net sales of the Local Governments Business Division

(i) Net sales of the Local Governments BD was 7,091 million yen (decreased 8.2% quarter-on-quarter); operating income was 555 million yen (decreased 23.3% quarter-on-quarter).

(ii) Computer service sales increased 4.4% 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 14.3% 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 31.2% 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 2nd quarter.

(v) Sales in hardware decreased by 61.9% 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 2nd quarter responding to the need for strengthening the information security systems in local governments (measures for strengthening information security of the internal network within municipalities).

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

(i) Net sales of the Printing BD was 1,858 million yen (increased 0.4% quarter-on-quarter); operating income was 47 million yen (increased 40.1% quarter-on-quarter).

(ii) Data printing service sales increased by 3.6% quarter-on-quarter. This was driven by the orders related to the general election of members of the House of Representatives, 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 that we had in the previous 2nd quarter.

(iii) Business form-related sales decreased by 4.4% quarter-on-quarter. This was due to continuous decline in the demands for business forms.

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

(1) Completion of TKC Customer Support Service Building

The construction of TKC Customer Support Service Building (4 stories above ground, total floor area 4,991.99 sq. meters) in Kanuma City, Tochigi Prefecture was completed on March 16, 2018. The building began operation on April 2 as the operation base for our wholly-owned subsidiary TKC Customer Support Service Co., Ltd., which was established to enhance customer support (established on October 5, 2017).

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")

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

(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) "TKC 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. The Company supports the activities of the TKCNF and is actively engaged in the development and provision of computer services and software that are to the benefit of the prosperity and success of SMEs.

(2) Support for the focus activities of the TKCNF

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

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

Continuing from the previous quarter, we support TKC member firms in hosting the Self-accounting Promotion Meetings that

offer a) internal seminars focusing on the effective utilization of the "marginal income statement," b) setting each firm's targets for promoting the self-accounting and specifying the target enterprises, and c) discussing specific action plans for the promotion, for the purpose of "increasing the satisfaction of enterprise users in using the systems."

In this quarter, we promoted activities for TKC member firms, focusing on companies closing the financial year in March, sole proprietors, and target enterprises promoting the use of PX series.

Thanks to these activities, the number of FX series users has reached approximately 255,000 as of March 31, 2018.

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

In addition to offering an integrated accounting information system, FX4 Cloud, designed for medium-scale corporation (with annual turnover of 500 million to 5 billion yen), we are engaging in the following activities to support TKC Members in their effort to retain their good-standing clients and expand their client base.

1) Seminars in collaboration with TKC Regional Associations

We support 20 TKC Regional Associations nationwide in hosting their seminars for TKC member firms, in an aim to motivate the TKC member firms to promote the utilization of the FX4 Cloud services. At the seminars, presentations on actual cases are given and active discussions are held on how to promote the use, contributing to increase firms that newly implement the system.

2) Promotion of self-accounting utilizing the Support Project for Introducing IT for Improvement in Productivity of Services etc.

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., in FY2018 to support SMEs in improving the productivity of their operations. Taking this as an opportunity to promote self-accounting under the initiative of accounting firms, we provided information to TKC member firms and supported their promotion activities to their clients.

As the result of these activities, the number of FX4 Cloud users reached approximately 11,200 as of March 31, 2018.

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

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

In the current 2nd quarter, we held seminars targeting mid-sized and large firms, new certified public tax accountants, and certified public accountants, and actively solicited more than 250 non-member certified public tax accountants and certified public accountants who participated in these seminars to join the TKCNF.

As a result of these activities, the total number of TKC Members counts approximately 11,100 and TKC Member firms exceeds 9,500 as of March 31, 2018.

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

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

In the current 2nd quarter, we promoted the use of OMS, highlighting the needs for complying with the mandatory electronic filing of tax returns by companies, maintaining the information security, strengthening the collaboration with financial institutions by utilizing the TKC Monitoring Information Service, and conducting the legal check on consumption tax matters.

Thanks to these activities, the number of accounting firms using OMS reached approximately 7,000 as of March 31, 2018.

(3) Amendments to the Participation Agreement

The Company amended the Participation Agreement taking effect as of January 1, 2018. The amendments aim at helping to (i) achieve the TKCNF's strategic target of "Over 10,000 TKC Member Firms" and (ii) introduce OMS and ProFIT, which are considered to be the basis on which the Company provides services to member firms. The amendments achieve, among other things including the unification of multiple forms of the Participation Agreement into a single type, (i) the unification of the different types of participation fees and basic membership fees, (ii) measures to allow members to appropriate the entire basic membership fee for the processing charge, (iii) to change the terms and conditions of the Participation Agreement so that it will be on the assumption that OMS and ProFIT are used, (iv) the discount of the price for the basic program set, and (v) to make the usage of OMS and ProFIT free of charge (applicable only to the first three years from the year of participation), enabling the Agreement to provide the TKC services to the members at more affordable prices and with more convenience.

The Company is giving explanations about the amended Participation Agreement to the existing members and suggesting that they enter into the new Agreement.

(4) Provision of FinTech service

(i) FinTech service for TKC member firms' clients

The Data Receiving Functionality from Banks and Credit Card Companies is a cloud service offered for free as one of the functions of the FX series. It allows users to automatically receive transaction data such as internet banking service from financial institutions (corporate accounts) and details of major credit cards, thus facilitating accurate journal entries in accordance with preset journal entry rules.

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

(ii) FinTech service for financial institutions

The TKC Monitoring Information Service is a cloud-based service in which the TKC member firms provide financial data, the correctness, existence, and comprehensiveness of which is secured by the monthly Field Audits by the TKC member firms, to financial institutions free of charge 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 because the system enables us to do a full analysis beforehand based on the information obtained earlier," and "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 this quarter, we conducted a campaign to propose the use of this service to regional financial institutions in collaboration with 20 TKC Regional Associations nationwide.

As a result of the campaign, approximately 330 financial institutions adopt the service as of March 31, 2018, with about 30,000 items of information provided to them.

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

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

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

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

(ii) Issuance of Certificate of Bookkeeping Timeliness

The Company issues a Certificate of Bookkeeping Timeliness in an aim to improve reliability of financial statements prepared by TKC Members and to provide a passport for smooth financing to the clients of TKC Members. This utilizes the features of the Company's financial accounting processing at TKC data centers, which prohibits any retroactive insertions, deletions and corrections to past data, and TKC Corporation proves, as a third party, that TKC Members have visited their clients on a monthly basis to provide guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed in a timely manner.

In this quarter, we emphasized to the financial institutions that: a) 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, and the Chusho Kaikei Yoryo Checklist provided by the Japan Federation of Certified Public Tax Accountants' Associations; and b) these certificates will be accessible if financial institutions subscribe to the TKC Monitoring Information Service.

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

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

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

(7) 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 and their group 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 non-current asset management system, the documented evidence storage service (TDS), and the OBMonitor overseas business monitoring system.

In this quarter, we held seminars detailing the "FY2018 tax reform" covering topics such as the mandatory electronic filing of tax returns by large companies as well as seminars on "accounting standards with respect to recognition of revenue" and "risk management of overseas subsidiaries" in collaboration with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,300 members) and the TKCNF's Overseas Deployment Support Research Committee (consisting of nearly 580 members), in order to enhance the awareness and brand power of systems 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.

As a result, the number of companies using the TKC Consolidated Group Solution counts approximately 2,800 corporate groups (or about 19,000 companies) as of March 31, 2018, adopted by over 80% of the 100 largest Japanese listed companies by sales amount.

Also, as one measure to support the mandatory electronic filing of tax returns by large companies, we have initiated negotiations to connect data between our electronic tax filing systems for corporations (ASP1000R, eConsoliTax) and the different systems offered by four ERP package manufacturers.

(8) Expansion of market for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 290,000 judicial precedents, etc. (as of March 31, 2018) covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently announced as well as those collected from our own sources, making it the largest database of all in Japan. The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 922,000 bibliographic information references with links to 55 of the Databases of Professional Journals, with total items of information now exceeding 2,400,000. As of March 31, 2018, the Library is used by over 19,500 institutions with more than 50,000 IDs, including TKC member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

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

In the academic market, we proposed the introduction of an early learning support system to the 56 law schools using TKC Law School Educational 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.

We have also made a full-scale launch of Civil Service Examination Study Tool for undergraduates, having concluded contracts with 15 universities and trial use by 45 schools. We will continue to enhance our promotional activities for further expansion of use.

As for the sales of TKC Law Library (Overseas Edition) through agents, we have received inquiries from courts, governmental agencies, universities and law firms in South Korea, Taiwan, China and other Asian countries as well as other countries including Germany, the U.K. and the U.S.A. As of March 31, 2018, over 70 licenses are in use worldwide, 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 in Asia.

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

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

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

The Company provides the TKC Government Cloud Service to municipalities (mainly for cities, wards and towns) nationwide.

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

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers and shared by all municipalities across Japan (offered both for individual use and shared use by multiple organizations), and attracts considerable attentions from the viewpoint of "local government cloud systems" that the Japanese government seeks to establish.

In the current 2nd 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 well as on the support for responding to the requirements of information interaction between the Japanese government and local governments for the My Number system. In February 2018, Kiyokawa Village and Manazuru Town became the first to begin operating the mission-critical operational system among the Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (consisting of 14 municipalities). The remaining municipalities will also proceed with the system change-over, and 13 municipalities are scheduled to start the use of the mission-critical operational system by the end of this quarter.

As a result of our active promotional activities elsewhere, our mission-critical operational systems are adopted by 150 municipalities nationwide as of March 31, 2018.

(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 2nd 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 is used in more than 60 municipalities nationwide as of March 31, 2018.

Also, with an aim to verify the technical issues in expanding the use of cards, we conducted a verification test of priority boarding on buses using My Number Cards (Japanese Public Key Infrastructure) in February 2018 under the cooperation of Himeji City, Hyogo Prefecture and Shinki Bus Co., Ltd.

(3) Support for electronic filing of local taxes

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

These services are proposed in collaboration with 46 system vendors with whom we have signed alliance partner agreements, and the Support Service for TASK Cloud Electronic Filing of Local Taxes is currently used by 740 agencies (as of March 31, 2018), which accounts for more than 40% of all municipalities.

Our TASK Cloud Taxation Document Image Management Service is also receiving more and more orders, as means of preventing information leakage caused by paper media, as well as streamlining taxation-related operations and reducing associated costs. This service is adopted by more than 110 municipalities as of March 31, 2018.

In the current 2nd quarter, we engaged in the development and promotional activities of the TASK Cloud Local Tax Electronic Filing Support Service (e-Tax Collaboration Service) that can directly transmit the data of the final tax return form to the e-Tax

(national tax electronic declaration/payment system) via the Local Government Wide Area Network (LGWAN). We also conducted development and promotional activities for the new data connection services supporting the unified tax payment system for local taxes, which is expected to start operation in two years.

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

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

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 system, TASK Cloud Non-current Assets Control System.

In the current 2nd quarter, we promoted the new development of functionalities to utilize financial documents for management support, and worked to cultivate new customers by leveraging our strong track record that our system is used by more than 60% of the municipalities adopting the daily journalizing method. As a result, the TASK Cloud Public Accounting System is adopted by more than 180 municipalities across Japan as of March 31, 2018, including Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities.

(5) Compliance with revised laws and systems

In May 2017, the government announced the Declaration to be the World's Most Advanced IT Nation: Basic Plan for the Advancement of Public and Private Sector Data Utilization, and the Policy for the Promotion of Digital Government, in which the Digital Government has been identified as priority in the nation's IT Strategy. Municipalities are required to review their administrative services and switch to "digital" in line with the government's action plans in order to improve the convenience of the entire user base (government, citizens, businesses).

In order to support this, in the current 2nd quarter, we conducted the survey, research and development of new products and services (including Easy-to-use Reception System, One-stop Child-rearing Support Service, and Welfare Consultation Support System) that utilize state-of-the-art ICT such as My Number Card, Myna-Portal and AI, under the leadership of the New Product Planning Promotion Office.

In response to the rapidly changing trends and environment surrounding local municipalities, we worked to further accelerate our planning and development process of new products and services, and restructured our development division (as of April 1, 2018) for the purpose of enhancing our customer support such as gathering and offering up-to-date information.

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 from that in the previous 2nd quarter, driven by the election-related orders in response to the general election of members of the House of Representatives on October 10, 2017, 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 forms is generally on a downward trend, we regularly receive orders from large-scale customers and the decline in sales is small in comparison to the previous 2nd quarter.

II Financial Position

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

1. Assets

Total assets as of the end of the current 2nd quarter consolidated accounting period amounted to 86,206 million yen, a 777 million yen increase 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 2nd quarter consolidated accounting period amounted to 30,521 million yen, a 23 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 1,216 million yen decrease in Cash and deposits, and a 113 million yen decrease in Account receivable-other included in Other, despite a 1,295 million yen increase in Notes and accounts receivable-trade.

(2) Non-current assets

Non-current assets as of the end of the current 2nd quarter consolidated accounting period amounted to 55,684 million yen, an 801 million yen increase compared to 54,883 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 1,388 million yen in Buildings and structures, net, and a 273 million yen increase in Tools, furniture and fixtures included in Other, net, despite a 569 million yen decrease in Construction in progress account included in Other, net, and a 150 million yen decrease in Intangible assets.

2. Liabilities

Total liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 15,472 million yen, a 1,064 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 2nd quarter consolidated accounting period amounted to 12,339 million yen, a 1,005 million yen decrease compared to 13,345 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 941 million yen in Accounts payable-other, and 120 million yen in Provisions for bonuses.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 3,132 million yen, a 58 million yen decrease compared to 3,191 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 93 million yen in Long-term lease obligations (sublease) included in Other, despite an increase of 131 million yen in Retirement benefit liability.

3. Net assets

Total net assets as of the end of the current 2nd quarter consolidated accounting period amounted to 70,734 million yen, a 1,842 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 1,716 million yen increase in Retained earnings.

Equity ratio as of the end of the current 2nd quarter consolidated accounting period was 80.1%, a 1.3 percentage point increase compared to the ratio of 78.8% as of the end of the previous consolidated fiscal year.

III Cash Flows

The Balance of the cash and cash equivalents as of the end of the current 2nd quarter consolidated accounting period amounted to 15,822 million yen, a 1,216 million yen decrease compared to the end of the previous consolidated fiscal year.

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

(1) Cash flows from operating activities

Cash flow from operating activities increased by 2,658 million yen (increase in income of 761 million yen compared to the same quarter of the previous year). This was mainly attributable to the posting of 4,935 million yen as quarterly net income before taxes and adjustments.

(2) Cash flows from investing activities

Cash flow from investing activities decreased by 2,227 million yen (decrease in spending of 1,122 million yen compared to the same quarter of the previous year). This was mainly attributable to the payment of 1,496 million yen for the purchase of property, plant and equipment, and the payment of 658 million yen for the purchase of intangible assets.

(3) Cash flows from financing activities

Cash flow from financing activities decreased by 1,646 million yen (increase in spending of 260 million yen compared to the same quarter of the previous year). This was mainly attributable to the payment of 1,553 million yen for the year-end dividends (60 yen dividends per share) for the previous fiscal year (ended September 30, 2017).

IV Operational and Financial Challenges Facing the TKC Group

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

IV Research and Development Activities

An amount of 80 million yen was spent on R&D in the current 2nd quarter consolidated cumulative period.

There is no significant change in the status of research and development activities of the TKC Group during the current 2nd quarter consolidated cumulative period.

Part 3 [Company Information]

1 [Company's stock, etc.]

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

(i) [Total number of shares]

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

(ii) [Issued shares]

Class	Number of shares issued as of the end of 2nd quarter accounting period (shares) (March 31, 2018)	Number of shares issued as of the filing date (shares) (May 8, 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 January 1, 2018 To March 31, 2018	-	26,731,033	-	5,700	-	5,409

(6) [Major shareholders]

As of March 31, 2018

Names of shareholders	Address	Number of owned shares (hundreds of shares)	Ratio of total number of owned shares to total number of issued shares (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	37,530	14.0
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	25,690	9.6
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	16,241	6.1
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	14,465	5.4
Masaharu Iizuka	Utsunomiya-shi, Tochigi	10,042	3.8
The Master Trust Bank of Japan, Ltd. (Trust)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	8,499	3.2
STATE STREET BANK AND TRUST COMPANY (Standing proxy: The Hong Kong and Shanghai Banking Corporation, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	7,366	2.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	6,664	2.5
Japan Trustee Services Bank, Ltd. (Trust)	1-8-11 Harumi, Chuo-ku, Tokyo	6,505	2.4
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	5,983	2.2
Sompo Japan Nipponkoa Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	5,983	2.2
Total	-	144,970	54.2

(7) [Voting rights]

(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 2nd quarter consolidated accounting period (from January 1, 2018 to March 31, 2018) and the 2nd quarter consolidated cumulative period (from October 1, 2017 to March 31, 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.

1 [Quarterly consolidated financial statements]

(1) [Quarterly consolidated balance sheet]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2017)	Current 2nd quarter consolidated accounting period March 31, 2018
Assets		
Current assets		
Cash and deposits	20,039	18,822
Notes and accounts receivable - trade	6,555	7,850
Inventories	* 755	* 707
Other	3,229	3,178
Allowance for doubtful accounts	(33)	(37)
Total current assets	30,545	30,521
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,619	8,008
Land	6,922	6,922
Other, net	2,669	2,282
Total property, plant and equipment	16,212	17,213
Intangible assets	3,812	3,661
Investments and other assets		
Investment securities	23,659	23,714
Long-term time deposits	6,000	6,000
Guarantee deposits	1,310	1,328
Other	3,888	3,766
Total investments and other assets	34,858	34,809
Total non-current assets	54,883	55,684
Total assets	85,428	86,206
Liabilities		
Current liabilities		
Accounts payable - trade	2,392	2,505
Electronically recorded obligations	897	772
Shore-term loans payable	71	71
Accounts payable - other	3,814	2,873
Income taxes payable	1,445	1,852
Provisions for bonuses	3,028	2,908
Other	1,694	1,356
Total current liabilities	13,345	12,339
Non-current liabilities		
Long-term loans payable	223	188
Retirement benefit liabilities	1,668	1,799
Other	1,298	1,144
Total non-current liabilities	3,191	3,132
Total liabilities	16,536	15,472

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2017)	Current 2nd quarter consolidated accounting period (March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,409
Retained earnings	56,549	58,265
Treasury stock	(968)	(970)
Total shareholders' equity	66,690	68,404
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	621	682
Total accumulated other comprehensive income	621	682
Subscription rights to shares	178	235
Non-controlling interests	1,401	1,411
Total net assets	68,892	70,734
Total liabilities and net assets	85,428	86,206

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

[Quarterly consolidated statements of income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)
Net sales	30,207	30,319
Cost of sales	10,936	10,260
Gross profit	19,271	20,058
Selling, general and administrative expenses	* 14,512	* 15,187
Operating income	4,758	4,871
Non-operating income		
Interest income	15	16
Dividend income	50	54
Dividend income of insurance	11	4
Land and house rent received	20	22
Share of profit of entities accounted for using equity method	3	5
Other	12	15
Total non-operating income	114	119
Non-operating expenses		
Interest expenses	2	1
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	2	1
Ordinary income	4,870	4,989
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	0	4
Loss on valuation of investment securities	-	49
Total extraordinary losses	0	54
Quarterly net income before taxes and adjustments	4,893	4,935
Income taxes - current	1,573	1,748
Income taxes - deferred	0	(127)
Total income taxes	1,574	1,621
Quarterly net income	3,318	3,314
Quarterly net income attributable to non-controlling interests	12	15
Quarterly net income attributable to owners of parent	3,306	3,298

[Quarterly consolidated statements of comprehensive income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)
Quarterly net income	3,318	3,314
Other comprehensive income		
Valuation difference on available-for-sale securities	836	66
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	837	66
Quarterly comprehensive income	4,155	3,380
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	4,139	3,359
Quarterly comprehensive income attributable to non- controlling interests	16	20

(3) [Quarterly consolidated statements of cash flows]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2017; Ended March 31, 2018)
Cash flows from operating activities		
Quarterly net income before taxes and adjustments	4,893	4,935
Depreciation	1,418	1,285
Gain/loss on sales of non-current assets ((): gain)	(0)	(0)
Loss on retirement of non-current assets	0	4
Gain/loss on valuation of investment securities ((): gain)	-	49
Reversal of asset retirement obligations	(23)	-
Change in provisions for bonuses ((): decrease)	(61)	(120)
Change in retirement benefit liabilities ((): decrease)	82	131
Change in trade receivables ((): increase)	(2,959)	(2,050)
Change in other assets ((): increase)	198	153
Change in trade payables ((): decrease)	931	(16)
Change in other liabilities ((): decrease)	(581)	(592)
Other	8	91
Subtotal	3,908	3,871
Interest and dividends received	78	94
Interest paid	(2)	(1)
Income taxes paid	(2,088)	(1,306)
Cash flows from operating activities	1,897	2,658
Cash flows from investing activities		
Payments into time deposits	(1,500)	(1,500)
Proceeds from withdrawal of time deposits	2,500	1,500
Purchase of property, plant and equipment	(1,653)	(1,496)
Purchase of intangible assets	(702)	(658)
Purchase of investment securities	(2,000)	(0)
Purchase of investments in subsidiaries	-	(25)
Other	6	(47)
Cash flows from investing activities	(3,350)	(2,227)
Cash flows from financing activities		
Increase/decrease in short-term loans payable ((): decrease)	40	-
Repayment of long-term loans payable	(35)	(35)
Purchase of treasury stock	(268)	(1)
Dividends paid	(1,060)	(1,553)
Dividends paid to minority shareholders	(9)	(10)
Other	(52)	(44)
Cash flows from financing activities	(1,386)	(1,646)
Change in cash and cash equivalents ((): decrease)	(2,839)	(1,216)
Cash and cash equivalents at beginning of quarter	16,552	17,039
Cash and cash equivalents at end of quarter	* 13,713	* 15,822

[Notes]

(Notes to quarterly consolidated balance sheet)

* Breakdown of inventory assets is as follows:

	Previous consolidated fiscal year (September 30, 2017)	Current 2nd quarter consolidated accounting period (March 31, 2018)
Finished goods inventory	325 million yen	247 million yen
Work in progress	289 million yen	316 million yen
Raw materials and supplies	140 million yen	144 million yen

(Notes to quarterly consolidated statements of income)

* Major items included in selling, general and administrative expenses are as follows:

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)
Salaries	5,016 million yen	5,212 million yen
Provisions for bonuses	2,438 million yen	2,459 million yen
Retirement benefit expenses	301 million yen	334 million yen
Depreciation	285 million yen	302 million yen
Rent expenses	1,050 million yen	1,073 million yen
Research and development expenses	14 million yen	80 million yen

(Notes to quarterly consolidated statements of cash flows)

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

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)
Cash and deposits	16,713 million yen	18,822 million yen
Time deposits with deposit period greater than three months	(3,000 million yen)	(3,000 million yen)
Cash and cash equivalents	13,713 million yen	15,822 million yen

(Notes to equity, etc.)

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

(1) Dividend payments

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

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

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

II Current 2nd quarter consolidated cumulative period (started October 1, 2017; ended March 31, 2018)

(1) Dividend payments

Resolution	Class of share	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 22, 2017 Ordinary general meeting of shareholders	Common stock	1,582	60	September 30, 2017	December 25, 2017	Retained earnings

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

Resolution	Class of share	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 2, 2018 Board of Directors meeting	Common stock	1,319	50	March 31, 2018	June 11, 2018	Retained earnings

(Segment information, etc.)

[Segment information]

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

Information on net sales and profit or loss by reportable segments

(Unit: millions of yen)

	Reportable segment				Adjustments (Note) 1	Amounts in quarterly consolidated statements of income (Note) 2
	Accounting Firm BD	Local Governments BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	20,632	7,724	1,850	30,207	-	30,207
(2) Inter-segment sales or transfers	2	-	795	797	(797)	-
Total	20,635	7,724	2,646	31,005	(797)	30,207
Segment profit or loss	3,993	723	33	4,751	7	4,758

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

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

II Current 2nd quarter consolidated cumulative period (started October 1, 2017; ended March 31, 2018)

Information on net sales and profit or loss by reportable segments

(Unit: millions of yen)

	Reportable segment				Adjustments (Note) 1	Amounts in quarterly consolidated statements of income (Note) 2
	Accounting Firm BD	Local Governments BD	Printing BD	Total		
Sales						
(1) Sales to outside customers	21,369	7,091	1,858	30,319	-	30,319
(2) Inter-segment sales or transfers	2	-	759	761	(761)	-
Total	21,372	7,091	2,617	31,081	(761)	30,319
Segment profit or loss	4,265	555	47	4,868	2	4,871

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

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

(Earnings per share information)

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

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2016; ended March 31, 2017)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)
(1) Quarterly net income per share	124.54 yen	125.05 yen
(Basis for the calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	3,306	3,298
Amount not attributable to common shareholders (millions of yen)	-	-
Quarterly net income attributable to owners of parent having the common shares (millions of yen)	3,306	3,298
Average number of common shares outstanding (hundreds of shares)	265,478	263,790
(2) Quarterly diluted net income per share	123.98 yen	124.51 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)	1,195	1,159
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 meeting 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

May 8, 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 2nd quarter consolidated accounting period (from January 1, 2018 to March 31, 2018) and for the 2nd quarter consolidated cumulative period (from October 1, 2017 to March 31, 2018) stated in [Financial Information], namely, the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, quarterly consolidated statements of cash flows and notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an independent conclusion regarding the quarterly consolidated financial statements based on our quarterly audit. We conducted our quarterly audit in accordance with quarterly auditing standards generally accepted in Japan. A quarterly review consists principally of making inquiries, performing analytical procedures and other quarterly review procedures of the management and persons responsible for financial and accounting matters. The quarterly procedure is a limited procedure compared to the procedure of annual financial statements performed in accordance with auditing standards generally accepted in Japan. We believe that we have obtained evidences to support a basis for our conclusion.

Auditor's Conclusion

Based on our quarterly review, nothing has come to our attention that causes us to believe that TKC Corporation and its consolidated subsidiaries' financial conditions as of March 31, 2018 and operating results and cash flow for the 2nd quarter consolidated cumulative period ending March 31, 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]	May 8, 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 2nd quarter (started January 1, 2018; ended March 31, 2018) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

Not applicable.