

Quarterly Report

(53rd Term 2nd Quarter)

Started January 1, 2019

Ended March 31, 2019

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

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[Company name]	<i>Kabushiki Kaisha TKC</i>
[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
[Phone number]	028-648-2111
[Contact person]	Hitoshi Iwata, Representative Director, Vice President and Executive Officer
[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
[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 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Term & Period		52nd Term 2nd quarter consolidated cumulative period	53rd Term 2nd quarter consolidated cumulative period	Fiscal 52nd Term
Accounting period		Started October 1, 2017; ended March 31, 2018	Started October 1, 2018; ended March 31, 2019	Started October 1, 2017; ended September 30, 2018
Net sales	(millions of yen)	30,319	31,936	61,621
Ordinary income	(millions of yen)	4,989	4,850	8,961
Quarterly (current) net income attributable to owners of parent	(millions of yen)	3,298	3,466	6,158
Quarterly comprehensive income or comprehensive income	(millions of yen)	3,380	2,481	6,517
Net assets	(millions of yen)	70,734	72,730	72,550
Total assets	(millions of yen)	86,206	91,023	90,202
Quarterly (current) net income per share	(yen)	125.05	131.45	233.46
Quarterly (current) diluted net income per share	(yen)	124.51	130.92	232.41
Equity ratio	(%)	80.1	78.3	78.6
Cash flows from operating activities	(millions of yen)	2,658	3,651	8,810
Cash flows from investing activities	(millions of yen)	(2,227)	(1,932)	(4,013)
Cash flows from financing activities	(millions of yen)	(1,646)	(2,123)	(2,567)
Cash and cash equivalents balance at end of quarter	(millions of yen)	15,822	18,864	19,268

Term & Period		52nd Term 2nd quarter consolidated accounting period	53rd Term 2nd quarter consolidated accounting period
Accounting period		Started January 1, 2018; ended March 31, 2018	Started January 1, 2019; ended March 31, 2019
Quarterly net income per share	(yen)	60.67	87.09

- (Notes) 1. Changes in key financial data, etc. of the Company are not stated here, as they are included in the Company's quarterly consolidated financial statements.
2. Net sales do not include consumption taxes (consumption tax and local consumption tax; hereinafter the same).
3. The Company introduced the Board Incentive Plan (BIP) Trust starting this current 2nd quarter consolidated accounting

period, and recorded the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the quarterly net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.

2 [Description of Business]

There are no significant changes in the description of business operated by the TKC Group (TKC Corporation and its affiliated companies) for the current 2nd quarter consolidated cumulative period. There are no changes in the major affiliated companies.

Part 2 [Business Overview]

1 [Risk Factors]

There are no risks pertaining to new business operations, etc. arisen during the current 2nd quarter consolidated cumulative period. There are no significant changes in risks regarding business operations, etc. described in the Annual Securities Report of the previous fiscal year.

2 [Management Analysis of Consolidated 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 six consolidated subsidiaries recorded a net sales of 31,936 million yen (increased 5.3% year-on-year), operating income of 4,678 million yen (decreased 4.0% year-on-year), ordinary income of 4,850 million yen (decreased 2.8% year-on-year), and net income attributable to owners of parent of 3,466 million yen (increased 5.1% year-on-year).

This was attributable to increase in sales from computer services and software sales earned by the Accounting Firm Business Division due to increase in the number of users of financial accounting systems that meet the requirements of the Electronic Books Maintenance Act of Japan as well as increase in the number of users of ASP1000R electronic tax filing system for corporations in response to the electronic filing of income taxes now mandated to large corporations, and to increase in sales from computer services earned by the Local Governments Business Division due to increase in number of organizations using our mission-critical systems.

The reason for lower operating income and ordinary income compared to the previous fiscal year is because of the absence in the current 2nd quarter of extraordinary sales and cost of sales related to system revision works in response to the amendments to the My Number and National Health Insurance systems by the Local Governments BD which were recorded in the 2nd quarter of the previous fiscal year.

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

1. Results of operation of the Group for the 2nd Quarter

(1) Net sales of the Accounting Firm Business Division

Net sales of the Accounting Firm BD was 22,107 million yen (increased 3.5% year-on-year); operating income was 4,519 million yen (increased 6.0% year-on-year). The breakdown is as follows:

- (i) Sales from computer services increased by 4.1% year-on-year. This was attributable to the growth in number of users of the cloud service-based FX4 Cloud Integrated Accounting Information System for mid-sized companies and Office Management System (OMS Cloud) for Tax Accounting Firms.
- (ii) Software sales increased by 2.4% year-on-year. This is the result of increase in the number of users of financial accounting systems that meet the requirements of the Electronic Books Maintenance Act of Japan as well as increase in the number of users of our electronic tax filing system for corporations (ASP1000R) in response to the electronic filing of income taxes now mandated to large corporations.
- (iii) Sales from consulting services decreased 4.0% year-on-year. This was due to decrease in revenues from client/server system launch support services and hardware maintenance as a result of growth in the number of users of FX4 Cloud, OMS Cloud and other systems.
- (iv) Hardware sales increased by 1.4% year-on-year. This was caused by increasing demands for PC replacements in response to the termination of Windows 7 support in 2020.

(2) Net sales of the Local Governments Business Division

Net sales of the Local Governments BD was 7,948 million yen (increased 12.1% year-on-year); operating income was 119 million yen (decreased 78.6% year-on-year). The breakdown is as follows:

- (i) Sales from computer services increased by 8.8% year-on-year. This was driven by the increased sales from outsourcing services and the use of TKC data centers generated by new orders from mission-critical system users received in the 2nd quarter of the previous fiscal year. Also, the increase in the number of users of LGWAN cloud services such as the Convenience Store Certificate Issuing System and the Taxation Document Image Management System contributed to the growth.
- (ii) Software sales decreased 15.3% year-on-year. This was due to the absence in the current 2nd quarter of sales and cost of sales from system revision works in response to amendments to the My Number, National Health Insurance and long-term care insurance systems which existed in the 2nd quarter of the previous fiscal year.
- (iii) Sales from consulting services increased 54.3% year-on-year. This was driven by increase of sales from orders for new systems from mission-critical system users received during the 2nd quarter of the previous fiscal year.
- (iv) Hardware sales increased by 139.8% year-on-year. This was due to increase in the sales of servers and network devices such as Registration Network System-related devices.

(3) Net sales of the Printing Business Division (Subsidiary: TLP Corporation)

Net sales of the Printing BD was 1,880 million yen (increased 1.2% year-on-year); operating income was 34 million yen (decreased 26.2% year-on-year). The breakdown is as follows:

- (i) Sales of data printing service-related products increased by 6.7% year-on-year. This was due to winning more orders from government offices and greater orders for direct mail productions from other client companies.
- (ii) Business form-related sales decreased by 8.2% year-on-year. This is due to ongoing decline in demands for business forms.

2. Important Matters with respect to the Company as a Whole

(1) Acquisition of certification for electronic books software legal compliance

On March 29, 2019, the Company became the first among its competitors to acquire the certification under the Electronic Books Software Legal Compliance Certification System by Japan Image and Information Management Association (JIIMA) for its financial accounting systems (FX2, FX4 Cloud, e21-Meister, etc.) that are offered to the clients of accounting firms. The Electronic Books Software Legal Compliance Certification System is a system under which JIIMA checks whether a commercial software for the bookkeeping and recording for national taxes complies with the requirements of the Electronic Books Maintenance Act of Japan, and issues a certificate for those that meet the legal requirements.

Today, while many kinds of financial accounting systems are used by companies in Japan, only a few of them are in total compliance with the Electronic Books Maintenance Act of Japan. The Company considers business entities as taxpayers, and designs its financial accounting systems to comply with the blue income tax return system based on either the Corporation Tax Act or Income Tax Act of Japan. We anticipate that our systems will draw greater attention looking forward.

(2) Acquisition of patent for internal audit support functions of Overseas Business Monitor

On January 11, 2019, the Company acquired a patent (Patent No. 6463532) for the internal audit support functions of the Overseas Business Monitor (hereinafter, "OBM").

OBM is a cloud-based service that enables parent companies in Japan to monitor the business results of the Japanese affiliated

companies operating abroad (overseas subsidiaries). When an overseas subsidiary extracts its accounting data from the local accounting system and uploads it to the TKC Internet Service Center (TISC), the parent company in Japan can check the business results of that overseas subsidiary based on a standardized account title system which are automatically translated from the local language into Japanese or English. Furthermore, the OBM is equipped with internal audit support functions that automatically analyzes all accounting data and extracts transactions that appear to be mistaken or falsified. These functions were granted a patent as an invention related to the “Internal Audit Support Device, Internal Audit Support Method, and Internal Audit Support Program.”

(3) Transfer of shares without charge by the Chairman Emeritus of the Company to TKC Members

In March 2019, Masaharu Iizuka, Chairman Emeritus, transferred without charge, the common shares of the Company owned by himself to 222 TKC Members who practice Shomen-tempu (attachment of tax audit reports) pursuant to Article 33-2 of the Certified Public Tax Accountant Act of Japan. This transfer without charge will be conducted for five years from March 2018 to March 2022, transferring up to one million shares of the Company. TKC Members who practice Shomen-tempu are eligible, and this was the second transfer since last year.

Masaharu Iizuka, together with his brother late Kazuaki Iizuka (former vice president of the Company), had also transferred a total of three million shares of the Company owned in person to 6,657 TKC Members in 2006.

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 (Chairman Mr. Takashi Sakamoto), which consists of 11,300 certified public tax accountants and certified public accountants (as of March 31, 2019) that are customers of TKC (hereinafter, “TKC Members”).

(Note) For more information on the TKC National Federation, visit the TKC Group website (<https://www.tkc.jp/>).

(1) Activities of the TKC National Federation (“TKCNF”)

TKCNF announced its 3-year activity policy from 2019 to 2021 and strategic targets for FY2019 based on the policy agenda in view of its 50th anniversary (in 2021). The content is as follows:

[Activity policy to change society with the TKC brand]

- (i) Promote Shomen-tempu (attachment of tax audit reports) by the TKC methods (FY2019 target: Corporate Shomen-tempu by 134,000 companies)
- (ii) Promote TKC Monitoring Information Service (FY2019 target: 120,000 companies, 240,000 cases)
- (iii) Promote self-accounting practice by the TKC methods (FY2019 target: 277,000 companies)

In addition, as the initiatives of TKCNF continue to draw attention of many financial institutions, the following measures have been launched to further enhance the managerial infrastructure of TKC Member firms:

- (i) Understand and practice the Standards of Conduct for TKC Accountants
- (ii) Increase the numbers of Field Auditors and Assistant Field Auditors
- (iii) Enhance the managerial advisory services as a certified business innovation support agency

(2) Activities to achieve the strategic goals of the Accounting Firm Business Division

Based on the activity policy of TKCNF, the Company operates to achieve its strategic targets for FY2019.

(i) Promotion of TKC Monitoring Information Service

During the current 2nd quarter under review, we established the promotion of TKC Monitoring Information Services as our Accounting Firm BD's most important strategic target, and worked towards diffusing the services to TKC Member firms and financial institutions. TKC Monitoring Information Service is a cloud-based service in which the TKC Members, upon request by the management of their clients, provide to financial institutions, free of charge, financial information such as monthly trial balance sheets and financial statements prepared by TKC Member firms after monthly field audits and monthly settlements. Monthly trial balance sheets will be made available immediately upon completion of the monthly settlement, and fiscal financial settlements are disclosed immediately after the client electronically files its financial documents to the tax authorities.

During the current 2nd quarter, we communicated to financial institutions that the reliability of financial statements prepared by SMEs can be verified by the following three documents:

- 1) Supporting documents submitted by TKC Members as provided for under Article 33-2 of the Certified Public Tax Accountant Act of Japan
- 2) Certificate of Bookkeeping Timeliness, with which TKC Corporation certifies the timeliness in the preparation of accounting books as required under Article 432 of the Companies Act of Japan and one-stop, full line process of financial statements and tax returns for corporate tax for the past three years (36 months)
- 3) The Chusho Kaikei Yoryo checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and Japan Federation of Credit Guarantee Corporations

As a result of these activities, the number of financial institutions adopting this Service is increasing rapidly with more than 400 institutions throughout Japan as of March 31, 2019. Over 77,000 companies provided their financial information to financial institutions through this Service.

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

During the current 2nd quarter under review, the Company provided TKC Member firms with seminars on practical issues that require attention in applying the reduced tax rate upon the enactment of consumption tax changes under the 2016 tax reform to be effected in October 2019, as well as support for each firm in setting and identifying targets for the promotion of self-accounting and support for hosting self-accounting promotion meetings to determine specific action plans. As a result of these activities, the number of FX series users exceeded 260,000 companies as of March 31, 2019.

(iii) Supporting complete compliance with the Electronic Books Maintenance Act of Japan

Under the FY 2018 tax reform, provisions were added in which a tax benefit of 100,000 yen in special reduction for blue income tax returns shall be offered if the declarer 1) is subject to the Electronic Books Maintenance Act of Japan for bookkeeping, or 2) files the income tax return electronically. This is a groundbreaking revision that offers favorable tax treatment for business entities that keep the history of additions, deletions and revision to the book record, which serves as basis of tax returns in accordance with the Electronic Books Maintenance Act of Japan. We anticipate that the same treatment will be applied to the filing of corporate taxes in the future.

Also, as stated above, our FX series and other systems acquired certification for electronic books software legal compliance by Japan Image and Information Management Association (JIIMA). Through the promotion of the certified FX series, etc., we support complete compliance with the Electronic Books Maintenance Act of Japan.

(iv) Soliciting new members (promotion of joining TKCNF)

TKCNF is engaged in a project to increase TKC membership to over 10,000 firms by the end of December 2020. The

Company is working closely with the New Members Service Committee of TKCNF in soliciting new members to achieve this goal.

During the current 2nd quarter, we solicited new members through seminars held for non-members targeting medium- and large-sized firms as well as certified public tax accountants and certified public accountants who plan to begin private practice.

As a result of these activities, the number of TKC Members totaled approximately 9,700 accounting firms and 11,300 accountants as of March 31, 2019. The difference in numbers of firms and accountants are because some firms have multiple accountants who are members.

(3) 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 use of Basic Guidelines with Respect to the Accounting Procedures at Small- and Medium-sized Enterprises (hereinafter, “Chusho Kaikei Yoryo” (Guidelines for SME Accounting)) formulated in February 2012 with which SME clients should comply. These Guidelines are based on the following principles: 1) accounting that helps to grasp the company’s business situation; 2) accounting that contributes to providing information to stakeholders (financial institutions, etc.); 3) accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system; and 4) accounting that does not place excessive burden on SMEs.

In order to support the activities of the TKCNF towards the diffusion and utilization of the Guidelines, the Company continues to promote the development of training materials and to strengthen collaboration with other organizations supporting SMEs.

(ii) Issuance of Certificate of Bookkeeping Timeliness

The Company utilizes the processing log data and time series data that are automatically logged at the TKC Internet Service Center when TKC Members access our system to issue a Certificate of Bookkeeping Timeliness free of charge. This Certificate serves as reference for financial institutions and other third parties to objectively evaluate the business performance of TKC Member firms.

This service was developed in an aim to improve reliability of financial statements and tax returns 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 by a one-stop, full line process in a timely manner.

(4) Expansion into large-scale enterprise market

By utilizing the TKC systems, the Company contributes to the rationalization of tax and accounting operations of large enterprises, mainly of listed companies, and are actively working to solicit these companies and their affiliates to become clients of TKC Members.

As systems to supplement these activities, the Company provide the TKC Consolidated Group Solution package (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 TDS documented evidence storage service, and the OBMonitor overseas business monitoring system, etc.).

In the current 2nd quarter, the Company held seminars in collaboration with the TKCNF’s Medium and Large-size Support

Research Committee (consisting of approximately 1,320 members as of March 31, 2019) and the TKCNF's Overseas Deployment Support Research Committee (consisting of approximately 630 members as of March 31, 2019), in order to enhance the awareness and brand power of system offered by the Company. Seminars on responses to electronic filing mandated to large enterprises with a capital of 100 million yen or greater under the FY2018 tax reforms, as well as on accounting standards with respect to the recognition of revenue and how to deal with non-compliance risks of foreign subsidiaries were held to support the promotional activities.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 3,550 corporate groups as of March 31, 2019. Our taxation-related information systems are adopted by over 90% of the 100 largest Japanese listed companies by sales amount.

(5) Expansion of markets for legal information database services

The LEX/DB Internet legal information database, developed originally by the Company, maintains an archive of over 296,000 judicial precedents and decisions as of March 31, 2019, covering all legal fields from precedents, etc. set in the former Supreme Court dating back to 1875 to those most recently published, 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 936,000 bibliographic information references with links to 57 of the legal information databases operated by 18 specialized legal publishers (including Gyosei Corporation, Nippon Hyoron-Sha Co., Ltd., Yuhikaku Publishing Co., Ltd., Chuokeizai-Sha Holdings, Inc., and Hanrei Times Holdings Co., Ltd.) with accessible number of information now exceeding 2,600,000 items.

(i) Increase of user base of TKC Law Library

The Company has continuously engaged in sales promotions for the TKC Law Library, highlighting its usefulness in business operations and putting the contents that are useful for business practices into customer-specific packages (Law Firm Package for law firms, Corporate Legal Package for corporate legal departments).

In the current 2nd quarter, as a result of active promotional activities towards TCK Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments, the number of users exceeded 50,000 IDs and the Library is used by over 20,500 institutions as of March 31, 2019.

(ii) Promotion in the academic market

The Company proposes the implementation of system-based early learning support programs to 54 law schools using the TKC Law School Educational and Research Support System and supports such schools in applying 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.

Also, starting the current 2nd quarter, we made a full-scale launch of the promotional activities for Civil Service Examination Study Tool for undergraduates and concluded contracts with 16 universities and trial use by 60 schools as of March 31, 2019.

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 Item 2: "Management of electronic data processing centers to improve the administrative efficiency of local governments") and offers specialized information services in order to help promote the welfare of residents by improving administrative efficiency.

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

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

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

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers and shared by all municipalities across Japan, and is attracting attention from the perspective of policy for the promotion of local government cloud systems by the Japanese government (the Ministry of Internal Affairs and Communications).

In the current 2nd quarter, we supported municipalities that newly implemented our services and are scheduled for a full-scale launch in the spring of 2019 in enabling smooth system transition, while enhancing the functions of existing systems, including compliance with the change of the era name and revisions to the consumption tax law. As a result of the aggressive promotional activities, our mission-critical systems are adopted by over 150 municipalities nationwide as of March 31, 2019.

(2) Expansion of cloud services for residents

To promote the utilization of My Number Cards, there has been an increase in the number of municipalities introducing or considering adopting the services of Issuance of Certificates at Convenience Store.

In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System as the system to realize this service. The System has an extensive track record as the first cloud service for municipalities across Japan and has been adopted in over 70 municipalities nationwide including government ordinance-designated cities such as Kobe and Kitakyushu as of March 31, 2019.

In the current 2nd quarter, we worked to enhance and expand various functions, as well as provided the TASK Cloud Easy Counter Service System to support the counter services within municipal offices using the features of our System, and conducted active promotional activities.

(3) Support for cloud-based electronic filing of local taxes

The Company is an authorized contractor of the Council for the Digitization of Local Taxes (operation to be transferred to Local Tax Agency as of April 1, 2019), and provides a cloud-based service for the standard system of the electronic filing of local taxes and the electronic tax payment offered by the Council. We also develop and provide Data Connection Services as our own functionality to connect the individual tax systems for inhabitant taxes, etc. of various municipalities with the Council's platform.

These services are proposed in collaboration with 47 companies nationwide with whom we have on-going alliance partner agreements. As a result, our core system TASK Cloud Local Taxes Electronic Filing Support Service is currently used by more than 760 agencies which account for more than 40% of all municipalities as of March 31, 2019.

In the current 2nd quarter, we engaged in the enhancement of functionalities and active promotional activities for related services such as data connection services in view of the common tax payment system for local taxes to be launched nationwide in October 2019.

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

Municipalities are required to adopt the system of accrual basis accounting (double entry bookkeeping) to replace the current cash basis accounting (single entry bookkeeping), and to prepare and disclose their financial documents as well as to utilize such data for administrative operations.

In order to support this, the Company provides the TASK Cloud Public Accounting System, which is compatible with the daily journalizing method encouraged by the Japanese government, and its related systems TASK Cloud Non-current Assets Control System and TASK Cloud Consolidated Financial Statement Preparing System.

In the current 2nd quarter, we engaged in the development and enhancement of various function to support the adoption of standardized disclosure formats (visualization and utilization of local public accounting) proposed by the Study Group on the

Promotion of Local Public Accounting of the Ministry of Internal Affairs and Communications that will enable comparison of information over time and with other groups. As a result of our promotional activities for new customers, the System are used in over 190 organizations across Japan as of March 31, 2019.

(5) Compliance with other revised laws and systems

In March 2019, the Japanese cabinet approved the bill for Digital Administrative Procedures Act which allows administrative procedures, in general to be conducted on-line, and submitted the bill to the ordinary session of the Diet. The bill is expected to be enacted, possibly during the current Diet session, and municipalities throughout Japan will be required to provide various administrative services as well as personal identification and payment of fees on-line in order to improve the convenience of the entire user base (government, citizens and businesses).

In light of these circumstances, we underwent major organizational reform as of October 1, 2018 including the new establishment of the System Planning Department in order to further accelerate the planning and development of new products and services as well as to strengthen customer support including the collection and communication of the latest information.

In the current 2nd quarter, our sales, development and operation divisions collaborated under the leadership of the System Planning Department in gathering and communicating information related to digital governance, as well as conducting surveys, research and development of next generation systems and services which utilize cutting-edge digital technology.

5. Business activities and operating results of the Printing Business Division

The Group's Printing BD operates with the main focus on data print services (hereinafter, "DPS") and business form printing.

Sales in the area of DPS increased year-on-year, due to increase in orders received for articles relating major government contract projects and direct mail productions for private enterprises, despite decreasing factors from the absence of election-related spot orders this year.

In the area of business form printing, sales decreased year-on-year due to decline in demands for business forms.

II. Financial Conditions

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 91,023 million yen, an 821 million yen increase compared to 90,202 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 32,179 million yen, a 431 million yen increase compared to 31,747 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 683 million yen in Notes and Accounts Receivable - Trade and a 177 million yen increase in Lease Investment Assets included in Other, despite a 403 million yen decrease in Cash and Deposits.

(2) Non-current assets

Non-current assets as of the end of the current 2nd quarter consolidated accounting period amounted to 58,844 million yen, a 390 million yen increase compared to 58,454 million yen as of the end of the previous consolidated fiscal year.

This was attributable to a 500 million yen increase in Long-term Time Deposits, a 312 million yen increase in Tools, Furniture & Fixtures included in Other (net amount) of Property, Plant & Equipment, a 237 million yen increase in Construction in Progress,

a 691 million yen increase in Long-term Lease Investment Assets included in Other of Investments and Other Assets, and a 485 million yen increase in Long-term Deferred Tax Assets despite a 1,502 million yen decrease in Investment Securities and a 317 million yen decrease in Intangible Assets.

2. Liabilities

Total liabilities as of the end of the current 2nd quarter consolidated accounting period amounted to 18,293 million yen, a 641 million yen increase compared to 17,651 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 13,241 million yen, a 713 million yen decrease compared to 13,955 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 463 million yen decrease in Accounts Payable - Other and a 423 million yen decrease 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 5,051 million yen, a 1,355 million yen increase compared to 3,696 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 691 million yen increase in Long-term Lease Obligations (sublease) and a 527 million yen increase in Provisions for Stocks Payment included in Other of Non-current liabilities.

3. Net assets

Total net assets as of the end of the current 2nd quarter consolidated accounting period amounted to 72,730 million yen, a 179 million yen increase compared to 72,550 million yen as of the end of the previous consolidated fiscal year.

This was attributable to a 2,015 million yen increase in Retained Earnings and a 228 million yen increase in Capital Surplus, despite a 235 million yen decrease in Subscription Rights to Shares, a 995 million yen decrease in Valuation Difference on Available-for-sale Securities, and a 827 million yen decrease in Purchase of Treasury Stock.

Equity ratio as of the end of the current 2nd quarter consolidated accounting period was 78.3%, a 0.2 percent point decrease compared to the ratio of 78.6% 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 18,864 million yen, a 403 million yen decrease compared to the end of the previous consolidated fiscal year.

The overview of cash flows for the current 2nd quarter consolidated accumulative period and major factors contributing to the results are as follows:

(1) Cash flows from operating activities

Cash flows from operating activities increased by 3,651 million yen (993 million yen increase in revenue compared to the same quarter of the previous year). Major factors include the posting of 5,114 million yen as quarterly net income before taxes and adjustments.

(2) Cash flows from investing activities

Cash flows from investing activities decreased by 1,932 million yen (295 million yen decrease in spending compared to the

same quarter of the previous year). Major factors include the payment of 977 million yen for the acquisition of tangible fixed assets, and payment of 506 million yen for the acquisition of intangible fixed assets.

(3) Cash flows from financing activities

Cash flows from financing activities decreased by 2,123 million yen (477 million yen increase in spending compared to the same quarter of the previous year). Major factors include payment of 1,448 million yen for year-end dividends (dividend of 55 yen per share) for the term ended September 2018, and payment of 1,359 million yen for the acquisition of treasury shares.

IV. Operational and Financial Challenges Facing the TKC Group

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

V. Research and Development Activities

There were no research and development expenses spent by the TKC Group during the current 2nd quarter consolidated cumulative period.

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

3 [Material Agreements, etc.]

There has been no decision or conclusion of material agreements, etc., during the current 2nd quarter consolidated accounting period.

Part 3 [Information on the Company]

1 [Information on the Company's Stock]

(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, 2019)	Number of shares issued as of the filing date (shares) (May 9, 2019)	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 the Tokyo Stock Exchange	Number of shares consisting a unit: 100 shares
Total	26,731,033	26,731,033	—	—

(2) [Share subscription rights, etc.]

(i) [Stock option scheme]

Not applicable.

(ii) [Other share subscription rights, etc.]

Not applicable.

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

Not applicable.

(4) [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, 2019 To March 31, 2019	—	26,731,033	—	5,700	—	5,409

(5) [Major shareholders]

As of March 31, 2019

Names of shareholders	Address	Number of shares held (hundreds of shares)	Percentage of shares held to total number of issued shares (excluding treasury stock) (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	37,530	14.2
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	25,690	9.7
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	15,786	6.0
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	15,465	5.9
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	10,560	4.0
Masaharu Iizuka	Utsunomiya-shi, Tochigi	8,598	3.3
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	7,612	2.9
SSBTC CLIENT OMNIBUS ACCOUNT (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)	7,598	2.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	6,664	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	5,983	2.3
Sompo Japan Nipponkoa Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	5,983	2.3
Total	—	147,471	56.0

(Note) The 190,500 shares of the Company held by the BIP Trust are not included in the treasury stocks to be deducted in calculating the percentage of shares held to the total number of issued shares.

(6) [Voting rights]

(i) [Issued shares]

As of March 31, 2019

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 313,800	—	—
Shares with full voting right (others)	Common stock 26,380,200	263,802	—
Shares less than one share unit	Common stock 37,033	—	—
Total number of issued shares	26,731,033	—	—
Total voting rights held by all shareholders	—	263,802	—

(Note) “Shares with full voting right (others)” includes 600 shares (6 units of voting rights) registered in the name of Japan Securities Depository Center, Inc., and 190,500 shares (1,905 units of voting rights) owned by the BIP Trust.

(ii) [Treasury stock, etc.]

As of March 31, 2019

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under other names (shares)	Total shares held (shares)	Percentage of shares held to the total number of issued shares (%)
TKC Corporation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	308,300	—	308,300	1.15
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	—	5,500	0.02
Total	—	313,800	—	313,800	1.17

(Note) In addition to the above, the 190,500 shares owned by the BIP Trust are recorded as treasury stocks in the quarterly consolidated financial statements.

2 [Officers]

There has been no change in the officers during the current quarter cumulative period since the date of submission of the Annual Securities Report for the previous fiscal year.

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, 2019 to March 31, 2019) and the 2nd quarter consolidated cumulative period (from October 1, 2018 to March 31, 2019) 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 of Japan.

1 [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2018)	Current 2nd quarter consolidated accounting period (March 31, 2019)
Assets		
Current assets		
Cash and deposits	22,268	21,864
Notes and accounts receivable-trade	7,690	8,373
Inventories	*619	*690
Other	1,204	1,277
Allowance for doubtful accounts	(35)	(27)
Total current assets	31,747	32,179
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	7,991	7,963
Land	6,922	6,894
Other (net amount)	2,550	3,160
Total property, plant and equipment	17,464	18,019
Intangible assets	3,707	3,389
Investments and other assets		
Investment securities	24,026	22,523
Long-term time deposits	6,000	6,500
Guarantee deposits	1,318	1,308
Other	5,937	7,103
Total investments and other assets	37,282	37,435
Total non-current assets	58,454	58,844
Total assets	90,202	91,023
Liabilities		
Current liabilities		
Accounts payable-trade	2,824	2,821
Electronically recorded obligations - operating	1,080	801
Shore-term loans payable	142	212
Accounts payable – other	3,661	3,198
Income taxes payable	1,689	1,809
Provisions for bonuses	3,169	2,745
Other	1,387	1,652
Total current liabilities	13,955	13,241
Non-current liabilities		
Long-term loans payable	580	509
Retirement benefit liabilities	2,036	2,158
Provisions for stocks payment	—	527
Other	1,078	1,856
Total non-current liabilities	3,696	5,051
Total liabilities	17,651	18,293

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2018)	Current 2nd quarter consolidated accounting period (March 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,637
Retained earnings	59,806	61,821
Treasury stock	(971)	(1,799)
Total shareholders' equity	69,944	71,359
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	917	(78)
Total accumulated other comprehensive income	917	(78)
Subscription rights to shares	235	—
Non-controlling interests	1,453	1,448
Total net assets	72,550	72,730
Total liabilities and net assets	90,202	91,023

(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, 2017; ended March 31, 2018)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)
Net sales	30,319	31,936
Cost of sales	10,260	11,160
Gross profit	20,058	20,776
Selling, general and administrative expenses	*15,187	*16,098
Operating income	4,871	4,678
Non-operating income		
Interest income	16	15
Dividends income	54	63
Insurance dividends income	4	6
Land and house rent received	22	26
Equity in earnings of affiliates	5	13
Other	15	48
Total non-operating income	119	173
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	1	1
Ordinary income	4,989	4,850
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on reversal of subscription rights to shares	—	274
Other	—	5
Total extraordinary income	0	279
Extraordinary loss		
Loss on sale of non-current assets	—	10
Loss on retirement of non-current assets	4	5
Loss on valuation of investment securities	49	—
Total extraordinary loss	54	15
Quarterly net income before taxes and adjustments	4,935	5,114
Income taxes - current	1,748	1,681
Income taxes - deferred	(127)	(46)
Total income taxes	1,621	1,635
Quarterly net income	3,314	3,478
Quarterly net profit (loss) attributable to non-controlling interests	15	12
Quarterly net profit (loss) attributable to owners of parent	3,298	3,466

[Quarterly consolidated statements of comprehensive income]

[2nd quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)
Quarterly net income	3,314	3,478
Other comprehensive income		
Valuation difference on available-for-sale securities	66	(996)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	66	(997)
Quarterly comprehensive income	3,380	2,481
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	3,359	2,470
Quarterly comprehensive income attributable to non- controlling interests	20	11

(3) [Quarterly consolidated statements of cash flows]

(Unit: millions of yen)

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)
Cash flows from operating activities		
Quarterly net income before taxes and adjustments	4,935	5,114
Depreciation	1,285	1,455
Loss (gain) on sale of non-current assets	(0)	10
Loss on retirement of non-current assets	4	5
Loss (gain) on valuation of investment securities	49	—
Gain on reversal of subscription rights to shares	—	(274)
Increase (decrease) in provisions for stocks payment	—	527
Increase (decrease) in provisions for bonuses	(120)	(423)
Increase (decrease) in retirement benefit liabilities	131	121
Decrease (increase) in notes and accounts receivable-trade	(2,050)	(987)
Decrease (increase) in other assets	153	70
Increase (decrease) in accounts payable-trade	(16)	(102)
Increase (decrease) in other liabilities	(592)	(402)
Other	91	(42)
Subtotal	3,871	5,072
Interest and dividends received	94	160
Interest paid	(1)	(1)
Income taxes paid	(1,306)	(1,579)
Cash flows from operating activities	2,658	3,651
Cash flows from investing activities		
Payments into time deposits	(1,500)	(2,000)
Proceeds from withdrawal of time deposits	1,500	1,500
Purchase of property, plant and equipment	(1,496)	(977)
Purchase of intangible assets	(658)	(506)
Purchase of investment securities	(0)	(0)
Purchase of investments in subsidiaries	(25)	—
Other	(47)	51
Cash flows from investing activities	(2,227)	(1,932)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	70
Repayment of long-term loans payable	(35)	(71)
Proceeds from sales of treasury stock	—	753
Purchase of treasury stock	(1)	(1,359)
Dividends paid	(1,553)	(1,448)
Dividends paid to minority shareholders	(10)	(16)
Other	(44)	(51)
Cash flows from financing activities	(1,646)	(2,123)
Increase (decrease) in cash and cash equivalents	(1,216)	(403)
Cash and cash equivalents at beginning of quarter	17,039	19,268
Cash and cash equivalents at end of quarter	*15,822	*18,864

[Notes to Financial Statements]

(Additional Information)

(Stock-based compensation plan for officers)

The Company introduced a stock-based compensation plan for its Directors (excluding Outside Directors and expatriates), Auditors (excluding Outside Auditors and expatriates), and Executive Officers (excluding expatriates; hereinafter referred to collectively as “Directors, etc.”).

1. Outline of Transaction

Based on the resolution of the Board of Directors’ Meeting held on October 31, 2018 followed by approval at the Ordinary General Meeting of Shareholders held on December 21, 2018, the Company introduced a stock-based compensation plan called “BIP Trust.” The objectives of the plan are to clarify the linkage between the Company’s shareholder value and the remuneration for Directors, etc. and to motivate Directors, etc. to contribute more to enhancing the medium- to long-term corporate value by sharing common interest with shareholders, including not only the merit derived from the rising share price, but also the risk associated with the decline in share price.

2. Stocks of the Company remaining in trust

The stocks of the Company remaining in trust are recorded as treasury stock under Net Assets with the book values in the trust (not including expenses attributable thereto). The book value of said treasury stocks was 753 million yen for 190,500 shares as of the end of this current 2nd quarter consolidated accounting period.

(Implementation of the “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.)

The Company applies the partially amended Accounting Standard for Tax Effect Accounting (ASBJ Standard No. 28, February 16, 2018), etc. as of the beginning of the current 1st quarter consolidated accounting period. Accordingly, deferred tax assets are indicated under the investments and other assets category, and deferred tax liabilities are indicated under the non-current liabilities category.

(Notes to the quarterly consolidated balance sheets)

* Breakdown of inventory assets is as follows:

	Previous consolidated fiscal year (September 30, 2018)	Current 2nd quarter consolidated accounting period (March 31, 2019)
Merchandise and finished goods	200 million yen	241 million yen
Work in progress	255 million yen	303 million yen
Raw materials and supplies	163 million yen	145 million yen

(Notes to the 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, 2017; ended March 31, 2018)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)
Salaries	5,212 million yen	5,591 million yen
Provisions for bonuses	2,459 million yen	2,338 million yen
Retirement benefit expenses	334 million yen	352 million yen
Provisions for stocks payment	— million yen	527 million yen
Depreciation	302 million yen	343 million yen
Rent expenses	1,073 million yen	1,116 million yen
Research and development expenses	80 million yen	— million yen

(Notes to the quarterly consolidated statements of cash flows)

* The 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, 2017; ended March 31, 2018)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)
Cash and deposits	18,822 million yen	21,864 million yen
Time deposits with deposit period greater than three months	(3,000 million yen)	(3,000 million yen)
Cash and cash equivalents	15,822 million yen	18,864 million yen

(Notes to shareholders' equity, etc.)

I. Previous 2nd quarter consolidated cumulative period (started October 1, 2017; ended March 31, 2018)

(1) Dividend payments

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

II. Current 2nd quarter consolidated cumulative period (started October 1, 2018; ended March 31, 2019)

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
December 21, 2018 Ordinary General Meeting of Shareholders	Common stock	1,450	55	September 30, 2018	December 25, 2018	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 shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 8, 2019 Meeting of the Board of Directors	Common stock	1,453	55	March 31, 2019	June 10, 2019	Retained earnings

(Note) The total amount of cash dividends determined by resolution of the Board of Directors on May 8, 2019 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.

(Segment information, etc.)

[Segment information]

I. Previous 2nd quarter consolidated cumulative period (started October 1, 2017; ended March 31, 2018)

Information on net sales and profit or loss for each reportable segment

(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		
Net 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	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 of inventory assets, etc.
2. Segment profit is adjusted with the operating profit presented in the Quarterly Consolidated Statements of Income.

II. Current 2nd quarter consolidated cumulative period (started October 1, 2018; ended March 31, 2019)

Information on net sales and profit or loss for each reportable segment

(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		
Net sales						
(1) Sales to outside customers	22,107	7,948	1,880	31,936	—	31,936
(2) Inter-segment sales or transfers	2	0	804	807	(807)	—
Total	22,109	7,948	2,685	32,743	(807)	31,936
Segment profit	4,519	119	34	4,673	4	4,678

- (Notes) 1. Adjustments of segment profit of 4 million yen include amounts for elimination of inter-segment transactions and for adjustments of inventory assets, etc.
2. Segment profit is adjusted with the operating profit presented in the Quarterly Consolidated Statements of Income.

(Earnings per share information)

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

	Previous 2nd quarter consolidated cumulative period (Started October 1, 2017; ended March 31, 2018)	Current 2nd quarterly consolidated cumulative period (Started October 1, 2018; ended March 31, 2019)
(1) Quarterly net income per share	125.05 yen	131.45 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	3,298	3,466
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	3,298	3,466
Average number of common stocks outstanding (hundreds of shares)	263,790	263,680
(2) Quarterly diluted net income per share	124.51 yen	130.92 yen
(Basis for calculation)		
Adjustments to quarterly net income attributable to owners of parent (millions of yen)	—	—
Number of common stocks increased (hundreds of shares)	1,159	1,066
Outline of the diluted shares not included in the calculation of quarterly diluted net income per share for not having dilutive effect, but having significant changes since the end of the previous consolidated fiscal year	—	—

(Note) The average number of stocks outstanding used in the calculation of earnings per share information has been determined by including the stocks of the Company owned by the BIP Trust (which has been established with the introduction of the BIP Trust plan) as deductible treasury stocks.

The average number of said treasury stocks deducted for the calculation of quarterly net income per share was 33,494 shares for the current 2nd quarter consolidated cumulative period.

(Material subsequent events)

None to be disclosed.

2 [Other]

The resolution regarding the current interim dividends was adopted at the Board of Directors' meeting held on May 8, 2019, stated as follows.

- | | |
|--|-------------------|
| (a) Total amount of cash dividends to be paid as interim dividends | 1,453 million yen |
| (b) Dividend per share | 55.00 yen |
| (c) Effective date for payment claim and commencement date for payment | June 10, 2019 |

(Note) Dividends are payable to the shareholders listed or recorded on the Register of Shareholders as of March 31, 2019.

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

None to be disclosed.

Quarterly Review Report of
Independent Auditors

May 9, 2019

To: The Board of Directors,
TKC Corporation

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner, Executing Partner	Certified Public Accountant	Kanji Tako	(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 of Japan, we have conducted a review of the quarterly consolidated financial statements of the consolidated fiscal year of the Company (started from October 1, 2018 and ending September 30, 2019) for the 2nd quarter consolidated accounting period (from January 1, 2019 to March 31, 2019) and for the 2nd quarter consolidated cumulative period (October 1, 2018 to March 31, 2019) 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 principles setting forth the preparation and proper presentation of the quarterly consolidated financial statements generally accepted in Japan. 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 review. We conducted our quarterly review in accordance with quarterly review 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 review 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 the 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, 2019 and operating results and cash flow for the 2nd quarter consolidated cumulative period ending March 31, 2019 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 of Japan.

End of document

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- (Notes) 1. The above is a digitized version of the original copy of the quarterly audit report, the original of which is stored by TKC Corporation (the Company filing this quarterly report).
2. XBRL data is not included in the scope of this quarterly review.

[Front Cover]

[Document filed]	Confirmation letter
[Applicable law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	May 9, 2019
[Company name]	<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
[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 2nd quarter of the 53rd term (started January 1, 2019; ended March 31, 2019) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.