

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2016 (Based on Japanese GAAP)

November 8, 2016

Company name: TKC Corporation
 Stock exchange listing: Tokyo
 Stock code: 9746 URL <http://www.tkc.jp/>
 Representative: President and Representative Director Kazuyuki Sumi
 Vice President and Representative Director,
 Inquiries: General Manager of Management Hitoshi Iwata TEL 03-3235-5511
 Administration Division
 Scheduled date of ordinary general meeting of shareholders: December 22, 2016
 Scheduled date to file Securities Report: December 26, 2016
 Scheduled date to commence dividend payments: December 26, 2016
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2016 (from October 1, 2015 to September 30, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2016	57,750	5.1	7,642	13.4	7,604	8.0	4,770	18.9
Year ended September 30, 2015	54,928	0.8	6,741	8.9	7,042	10.0	4,011	11.3

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2016	179.65	178.88	7.7	9.6	13.2
Year ended September 30, 2015	151.18	150.63	6.7	9.3	12.3

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	81,116	64,556	77.7	2,374.07
As of September 30, 2015	76,836	62,630	79.6	2,304.38

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2016	9,181	(7,022)	(2,225)	16,552
Year ended September 30, 2015	6,485	(4,558)	(1,333)	16,619

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2015	—	33.00	—	38.00	71.00	1,884	47.0	3.1
Year ended September 30, 2016	—	40.00	—	40.00	80.00	2,124	44.5	3.4
Year ending September 30, 2017 (Forecast)	—	40.00	—	40.00	80.00		44.3	

3. Forecast of consolidated financial results for the year ending September 30, 2017 (from October 1, 2016 to September 30, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending March 31, 2017	28,200	(5.1)	3,200	(38.3)	3,300	(37.2)	2,150	(36.1)	80.98
Full year	58,000	0.4	7,100	(7.1)	7,350	(3.3)	4,800	0.6	180.78

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2016

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2016	26,731,033 shares	As of September 30, 2015	26,731,033 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	179,775 shares	As of September 30, 2015	179,386 shares
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Average number of shares during the period

Year ended September 30, 2016	26,551,451 shares	Year ended September 30, 2015	26,532,013 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of September 30, 2015	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	21,919	19,552
Notes and accounts receivable - trade	6,411	6,335
Lease investment assets	174	238
Merchandise and finished goods	308	360
Work in process	189	112
Raw materials and supplies	139	158
Deferred tax assets	1,894	2,079
Other	663	751
Allowance for doubtful accounts	(34)	(36)
Total current assets	31,666	29,554
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,561	6,554
Machinery, equipment and vehicles, net	547	425
Tools, furniture and fixtures, net	996	1,188
Land	6,346	6,607
Leased assets, net	163	129
Construction in progress	880	—
Total property, plant and equipment	14,495	14,906
Intangible assets		
Software	2,611	2,976
Software in progress	724	706
Other	30	29
Total intangible assets	3,365	3,712
Investments and other assets		
Investment securities	13,325	20,216
Long-term loans receivable	4	175
Deferred tax assets	2,431	3,190
Long-term time deposits	9,400	7,000
Guarantee deposits	1,453	1,303
Long-term lease investment assets	547	601
Other	146	454
Total investments and other assets	27,308	32,943
Total non-current assets	45,169	51,562
Total assets	76,836	81,116

(Millions of yen)

	As of September 30, 2015	As of September 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	2,540	2,602
Short-term loans payable	60	40
Current portion of long-term loans payable	71	71
Lease obligations	225	290
Accounts payable - other	3,525	3,371
Income taxes payable	1,243	2,203
Accrued consumption taxes	769	529
Provision for bonuses	2,450	2,853
Other	862	1,457
Total current liabilities	11,749	13,419
Non-current liabilities		
Long-term loans payable	366	295
Lease obligations	673	689
Net defined benefit liability	818	1,583
Other	598	572
Total non-current liabilities	2,456	3,140
Total liabilities	14,206	16,559
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,419	5,419
Retained earnings	49,906	52,606
Treasury shares	(349)	(350)
Total shareholders' equity	60,676	63,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	508	(339)
Total accumulated other comprehensive income	508	(339)
Subscription rights to shares	127	176
Non-controlling interests	1,317	1,345
Total net assets	62,630	64,556
Total liabilities and net assets	76,836	81,116

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Net sales	54,928	57,750
Cost of sales	19,180	20,344
Gross profit	35,747	37,406
Selling, general and administrative expenses	29,006	29,764
Operating income	6,741	7,642
Non-operating income		
Interest income	30	39
Dividend income	148	106
Land and house rent received	38	37
Compensation income	56	—
Other	37	46
Total non-operating income	310	230
Non-operating expenses		
Interest expenses	5	5
Share of loss of entities accounted for using equity method	4	262
Other	0	0
Total non-operating expenses	9	268
Ordinary income	7,042	7,604
Extraordinary income		
Gain on sales of non-current assets	1	11
Subsidy income	10	—
Total extraordinary income	11	11
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on retirement of non-current assets	83	41
Impairment loss	2	1
Loss on valuation of golf club membership	5	—
Total extraordinary losses	91	42
Profit before income taxes	6,962	7,573
Income taxes - current	2,448	3,316
Income taxes - deferred	486	(553)
Total income taxes	2,934	2,762
Profit	4,027	4,810
Profit attributable to non-controlling interests	16	40
Profit attributable to owners of parent	4,011	4,770

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Profit	4,027	4,810
Other comprehensive income		
Valuation difference on available-for-sale securities	121	(852)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	121	(852)
Comprehensive income	4,149	3,958
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,131	3,922
Comprehensive income attributable to non-controlling interests	18	36

Consolidated statements of changes in equity

Fiscal year ended September 30, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,700	5,409	47,399	(406)	58,102
Cumulative effects of changes in accounting policies			(44)		(44)
Restated balance	5,700	5,409	47,354	(406)	58,057
Changes of items during period					
Dividends of surplus			(1,459)		(1,459)
Profit attributable to owners of parent			4,011		4,011
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		10		60	70
Net changes of items other than shareholders' equity					
Total changes of items during period	–	10	2,552	57	2,619
Balance at end of current period	5,700	5,419	49,906	(349)	60,676

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	388	388	100	1,315	59,906
Cumulative effects of changes in accounting policies				11	(33)
Restated balance	388	388	100	1,326	59,872
Changes of items during period					
Dividends of surplus					(1,459)
Profit attributable to owners of parent					4,011
Purchase of treasury shares					(3)
Disposal of treasury shares					70
Net changes of items other than shareholders' equity	119	119	26	(8)	137
Total changes of items during period	119	119	26	(8)	2,757
Balance at end of current period	508	508	127	1,317	62,630

Fiscal year ended September 30, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,700	5,419	49,906	(349)	60,676
Changes of items during period					
Dividends of surplus			(2,071)		(2,071)
Profit attributable to owners of parent			4,770		4,770
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	2,699	(1)	2,697
Balance at end of current period	5,700	5,419	52,606	(350)	63,374

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	508	508	127	1,317	62,630
Changes of items during period					
Dividends of surplus					(2,071)
Profit attributable to owners of parent					4,770
Purchase of treasury shares					(1)
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	(848)	(848)	48	28	(771)
Total changes of items during period	(848)	(848)	48	28	1,926
Balance at end of current period	(339)	(339)	176	1,345	64,556

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	6,962	7,573
Depreciation	2,239	2,449
Increase (decrease) in allowance for doubtful accounts	(2)	1
Increase (decrease) in provision for bonuses	(258)	403
Increase (decrease) in net defined benefit liability	482	764
Contribution to employee's retirement benefits trust	(800)	–
Interest and dividend income	(179)	(145)
Interest expenses	5	5
Share of (profit) loss of entities accounted for using equity method	4	262
Loss on retirement of non-current assets	83	41
Loss (gain) on sales of non-current assets	(1)	(11)
Impairment loss	2	1
Share-based compensation expenses	44	48
Decrease (increase) in notes and accounts receivable - trade	1,385	656
Decrease (increase) in inventories	233	5
Decrease (increase) in other assets	50	(366)
Increase (decrease) in notes and accounts payable - trade	(783)	9
Increase (decrease) in other liabilities	(370)	(0)
Increase (decrease) in accrued consumption taxes	136	(240)
Other, net	43	3
Subtotal	9,278	11,463
Interest and dividend income received	191	153
Interest expenses paid	(4)	(5)
Income taxes paid	(2,979)	(2,430)
Net cash provided by (used in) operating activities	6,485	9,181
Cash flows from investing activities		
Payments into time deposits	(4,000)	(3,000)
Proceeds from withdrawal of time deposits	9,600	7,700
Purchase of property, plant and equipment	(1,966)	(1,612)
Proceeds from sales of property, plant and equipment	14	20
Payments for retirement of property, plant and equipment	(59)	–
Purchase of intangible assets	(1,709)	(1,668)
Purchase of investment securities	(6,338)	(16,163)
Proceeds from redemption of investment securities	–	7,500
Proceeds from sales of shares of subsidiaries and associates	–	250
Payments for guarantee deposits	(135)	(15)
Proceeds from collection of guarantee deposits	32	164
Payments of loans receivable	–	(300)
Collection of loans receivable	12	116
Other payments	(16)	(16)
Other proceeds	6	2
Net cash provided by (used in) investing activities	(4,558)	(7,022)

(Millions of yen)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(268)	(20)
Proceeds from long-term loans payable	500	—
Repayments of long-term loans payable	(61)	(71)
Repayments of lease obligations	(40)	(55)
Purchase of treasury shares	(3)	(1)
Cash dividends paid	(1,459)	(2,069)
Dividends paid to non-controlling interests	—	(8)
Other, net	0	0
Net cash provided by (used in) financing activities	(1,333)	(2,225)
Net increase (decrease) in cash and cash equivalents	593	(66)
Cash and cash equivalents at beginning of period	16,025	16,619
Cash and cash equivalents at end of period	16,619	16,552