

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2017 (Based on Japanese GAAP)

November 7, 2017

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, 2017
 Scheduled date to file Securities Report: December 25, 2017
 Scheduled date to commence dividend payments: December 25, 2017
 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, 2017 (from October 1, 2016 to September 30, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------|-----------------|-----|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended September 30, 2017 | 59,705 | 3.4 | 8,567 | 12.1 | 8,792 | 15.6 | 6,071 | 27.3 |
| Year ended September 30, 2016 | 57,750 | 5.1 | 7,642 | 13.4 | 7,604 | 8.0 | 4,770 | 18.9 |

| | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary profit/total assets | Operating profit/net sales |
|-------------------------------|--------------------|----------------------------|--|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended September 30, 2017 | 229.13 | 228.16 | 9.3 | 10.6 | 14.3 |
| Year ended September 30, 2016 | 179.65 | 178.88 | 7.7 | 9.6 | 13.2 |

(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, 2017 | 85,428 | 68,892 | 78.8 | 2,551.70 |
| As of September 30, 2016 | 81,116 | 64,556 | 77.7 | 2,374.07 |

(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, 2017 | 8,123 | (4,617) | (3,019) | 17,039 |
| Year ended September 30, 2016 | 9,181 | (7,022) | (2,225) | 16,552 |

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, 2016 | — | 40.00 | — | 40.00 | 80.00 | 2,124 | 44.5 | 3.4 |
| Year ended September 30, 2017 | — | 40.00 | — | 60.00 | 100.00 | 2,643 | 43.6 | 4.1 |
| Year ending September 30, 2018 (Forecast) | — | 45.00 | — | 45.00 | 90.00 | | 47.7 | |

3. Forecast of consolidated financial results for the year ending September 30, 2018 (from October 1, 2017 to September 30, 2018)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | 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, 2018 | 28,600 | (5.3) | 3,750 | (21.2) | 3,900 | (19.9) | 2,600 | (21.4) | 98.13 |
| Full year | 60,000 | 0.5 | 7,500 | (12.5) | 7,700 | (12.4) | 5,000 | (17.6) | 188.71 |

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2017

(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: No

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, 2017 | 26,731,033 shares | As of September 30, 2016 | 26,731,033 shares |
|--------------------------|-------------------|--------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|----------------|--------------------------|----------------|
| As of September 30, 2017 | 351,714 shares | As of September 30, 2016 | 179,775 shares |
|--------------------------|----------------|--------------------------|----------------|

Average number of shares during the period

| | | | |
|-------------------------------|-------------------|-------------------------------|-------------------|
| Year ended September 30, 2017 | 26,496,263 shares | Year ended September 30, 2016 | 26,551,451 shares |
|-------------------------------|-------------------|-------------------------------|-------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of September 30, 2016 | As of September 30, 2017 |
|--|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 19,552 | 20,039 |
| Notes and accounts receivable - trade | 6,335 | 6,555 |
| Lease investment assets | 238 | 269 |
| Merchandise and finished goods | 360 | 325 |
| Work in process | 112 | 289 |
| Raw materials and supplies | 158 | 140 |
| Deferred tax assets | 2,079 | 2,046 |
| Other | 751 | 913 |
| Allowance for doubtful accounts | (36) | (33) |
| Total current assets | 29,554 | 30,545 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,554 | 6,619 |
| Machinery, equipment and vehicles, net | 425 | 508 |
| Tools, furniture and fixtures, net | 1,188 | 1,249 |
| Land | 6,607 | 6,922 |
| Leased assets, net | 129 | 342 |
| Construction in progress | — | 569 |
| Total property, plant and equipment | 14,906 | 16,212 |
| Intangible assets | | |
| Software | 2,976 | 2,806 |
| Software in progress | 706 | 976 |
| Other | 29 | 29 |
| Total intangible assets | 3,712 | 3,812 |
| Investments and other assets | | |
| Investment securities | 20,216 | 23,659 |
| Long-term loans receivable | 175 | 82 |
| Deferred tax assets | 3,190 | 2,953 |
| Long-term time deposits | 7,000 | 6,000 |
| Guarantee deposits | 1,303 | 1,310 |
| Long-term lease investment assets | 601 | 459 |
| Other | 454 | 392 |
| Total investments and other assets | 32,943 | 34,858 |
| Total non-current assets | 51,562 | 54,883 |
| Total assets | 81,116 | 85,428 |

(Millions of yen)

| | As of September 30, 2016 | As of September 30, 2017 |
|---|--------------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 2,602 | 2,392 |
| Electronically recorded obligations - operating | – | 897 |
| Short-term loans payable | 40 | – |
| Current portion of long-term loans payable | 71 | 71 |
| Lease obligations | 290 | 353 |
| Accounts payable - other | 3,371 | 2,918 |
| Income taxes payable | 2,203 | 1,445 |
| Accrued consumption taxes | 529 | 543 |
| Provision for bonuses | 2,853 | 3,028 |
| Other | 1,457 | 1,694 |
| Total current liabilities | 13,419 | 13,345 |
| Non-current liabilities | | |
| Long-term loans payable | 295 | 223 |
| Lease obligations | 689 | 746 |
| Net defined benefit liability | 1,583 | 1,668 |
| Other | 572 | 552 |
| Total non-current liabilities | 3,140 | 3,191 |
| Total liabilities | 16,559 | 16,536 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,700 | 5,700 |
| Capital surplus | 5,419 | 5,409 |
| Retained earnings | 52,606 | 56,549 |
| Treasury shares | (350) | (968) |
| Total shareholders' equity | 63,374 | 66,690 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (339) | 621 |
| Total accumulated other comprehensive income | (339) | 621 |
| Subscription rights to shares | 176 | 178 |
| Non-controlling interests | 1,345 | 1,401 |
| Total net assets | 64,556 | 68,892 |
| Total liabilities and net assets | 81,116 | 85,428 |

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

(Millions of yen)

| | Fiscal year ended September 30, 2016 | Fiscal year ended September 30, 2017 |
|---|---|---|
| Net sales | 57,750 | 59,705 |
| Cost of sales | 20,344 | 20,419 |
| Gross profit | 37,406 | 39,285 |
| Selling, general and administrative expenses | 29,764 | 30,718 |
| Operating profit | 7,642 | 8,567 |
| Non-operating income | | |
| Interest income | 39 | 31 |
| Dividend income | 106 | 110 |
| Land and house rent received | 37 | 42 |
| Share of profit of entities accounted for using equity method | — | 11 |
| Other | 46 | 33 |
| Total non-operating income | 230 | 229 |
| Non-operating expenses | | |
| Interest expenses | 5 | 3 |
| Share of loss of entities accounted for using equity method | 262 | — |
| Other | 0 | 0 |
| Total non-operating expenses | 268 | 4 |
| Ordinary profit | 7,604 | 8,792 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 11 | 2 |
| Reversal of provision for Asset retirement obligation | — | 23 |
| Total extraordinary income | 11 | 25 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | — |
| Loss on retirement of non-current assets | 41 | 3 |
| Loss on retirement of software | — | 15 |
| Impairment loss | 1 | 0 |
| Total extraordinary losses | 42 | 19 |
| Profit before income taxes | 7,573 | 8,798 |
| Income taxes - current | 3,316 | 2,828 |
| Income taxes - deferred | (553) | (156) |
| Total income taxes | 2,762 | 2,671 |
| Profit | 4,810 | 6,126 |
| Profit attributable to non-controlling interests | 40 | 55 |
| Profit attributable to owners of parent | 4,770 | 6,071 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended September 30, 2016 | Fiscal year ended September 30, 2017 |
|--|---|---|
| Profit | 4,810 | 6,126 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (852) | 970 |
| Share of other comprehensive income of entities accounted for using equity method | 0 | 0 |
| Total other comprehensive income | (852) | 971 |
| Comprehensive income | 3,958 | 7,097 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,922 | 7,032 |
| Comprehensive income attributable to non-controlling interests | 36 | 65 |

Consolidated statements of changes in equity

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 |

Fiscal year ended September 30, 2017

(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 | 52,606 | (350) | 63,374 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (2,122) | | (2,122) |
| Profit attributable to owners of parent | | | 6,071 | | 6,071 |
| Purchase of treasury shares | | | | (677) | (677) |
| Disposal of treasury shares | | (10) | (5) | 59 | 44 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | (10) | 3,943 | (617) | 3,316 |
| Balance at end of current period | 5,700 | 5,409 | 56,549 | (968) | 66,690 |

| | 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 | (339) | (339) | 176 | 1,345 | 64,556 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (2,122) |
| Profit attributable to owners of parent | | | | | 6,071 |
| Purchase of treasury shares | | | | | (677) |
| Disposal of treasury shares | | | | | 44 |
| Net changes of items other than shareholders' equity | 961 | 961 | 2 | 56 | 1,019 |
| Total changes of items during period | 961 | 961 | 2 | 56 | 4,335 |
| Balance at end of current period | 621 | 621 | 178 | 1,401 | 68,892 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended September 30, 2016 | Fiscal year ended September 30, 2017 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,573 | 8,798 |
| Depreciation | 2,449 | 2,716 |
| Increase (decrease) in allowance for doubtful accounts | 1 | (2) |
| Increase (decrease) in provision for bonuses | 403 | 174 |
| Increase (decrease) in net defined benefit liability | 764 | 85 |
| Interest and dividend income | (145) | (141) |
| Interest expenses | 5 | 3 |
| Share of (profit) loss of entities accounted for using equity method | 262 | (11) |
| Loss on retirement of non-current assets | 41 | 3 |
| Loss on retirement of software | – | 15 |
| Loss (gain) on sales of non-current assets | (11) | (2) |
| Impairment loss | 1 | 0 |
| Gain on reversal of asset retirement obligations | – | (23) |
| Share-based compensation expenses | 48 | 46 |
| Decrease (increase) in notes and accounts receivable - trade | 656 | (132) |
| Decrease (increase) in inventories | 5 | (123) |
| Decrease (increase) in other assets | (366) | 14 |
| Increase (decrease) in notes and accounts payable - trade | 9 | 634 |
| Increase (decrease) in other liabilities | (0) | (394) |
| Increase (decrease) in accrued consumption taxes | (240) | 13 |
| Other, net | 3 | (59) |
| Subtotal | 11,463 | 11,614 |
| Interest and dividend income received | 153 | 168 |
| Interest expenses paid | (5) | (3) |
| Income taxes paid | (2,430) | (3,655) |
| Net cash provided by (used in) operating activities | 9,181 | 8,123 |
| Cash flows from investing activities | | |
| Payments into time deposits | (3,000) | (3,000) |
| Proceeds from withdrawal of time deposits | 7,700 | 4,000 |
| Purchase of property, plant and equipment | (1,612) | (2,124) |
| Proceeds from sales of property, plant and equipment | 20 | 2 |
| Purchase of intangible assets | (1,668) | (1,602) |
| Proceeds from redemption of investments in capital | – | 100 |
| Purchase of investment securities | (16,163) | (2,561) |
| Proceeds from redemption of investment securities | 7,500 | 500 |
| Proceeds from sales of shares of subsidiaries and associates | 250 | – |
| Payments for guarantee deposits | (15) | (15) |
| Proceeds from collection of guarantee deposits | 164 | 9 |
| Payments of loans receivable | (300) | – |
| Collection of loans receivable | 116 | 74 |
| Other payments | (16) | – |
| Other proceeds | 2 | 1 |
| Net cash provided by (used in) investing activities | (7,022) | (4,617) |

| | (Millions of yen) | |
|--|---|---|
| | Fiscal year ended September 30, 2016 | Fiscal year ended September 30, 2017 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (20) | (40) |
| Repayments of long-term loans payable | (71) | (71) |
| Repayments of lease obligations | (55) | (102) |
| Purchase of treasury shares | (1) | (677) |
| Cash dividends paid | (2,069) | (2,119) |
| Dividends paid to non-controlling interests | (8) | (9) |
| Other, net | 0 | 0 |
| Net cash provided by (used in) financing activities | (2,225) | (3,019) |
| Net increase (decrease) in cash and cash equivalents | (66) | 486 |
| Cash and cash equivalents at beginning of period | 16,619 | 16,552 |
| Cash and cash equivalents at end of period | 16,552 | 17,039 |