

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2018 (Based on Japanese GAAP)

October 31, 2018

Company name: TKC Corporation
 Stock exchange listing: Tokyo
 Stock code: 9746 URL <https://www.tkc.jp/>
 Representative: President and Representative Director Kazuyuki Sumi
 Inquiries: Vice President and Representative Director Hitoshi Iwata TEL 03-3235-5511
 Scheduled date of ordinary general meeting of shareholders: December 21, 2018
 Scheduled date to file Securities Report: December 25, 2018
 Scheduled date to commence dividend payments: December 25, 2018
 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, 2018 (from October 1, 2017 to September 30, 2018)

(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, 2018	61,621	3.2	8,679	1.3	8,961	1.9	6,158	1.4
Year ended September 30, 2017	59,705	3.4	8,567	12.1	8,792	15.6	6,071	27.3

	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, 2018	233.46	232.41	8.9	10.2	14.1
Year ended September 30, 2017	229.13	228.16	9.3	10.6	14.3

(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, 2018	90,202	72,550	78.6	2,686.32
As of September 30, 2017	85,428	68,892	78.8	2,551.70

(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, 2018	8,810	(4,013)	(2,567)	19,268
Year ended September 30, 2017	8,123	(4,617)	(3,019)	17,039

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, 2017	—	40.00	—	60.00	100.00	2,643	43.6	4.1
Year ended September 30, 2018	—	50.00	—	55.00	105.00	2,769	45.0	4.0
Year ending September 30, 2019 (Forecast)	—	50.00	—	55.00	105.00		49.5	

3. Forecast of consolidated financial results for the year ending September 30, 2019 (from October 1, 2018 to September 30, 2019)

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, 2019	30,000	(1.1)	3,200	(34.3)	3,300	(33.9)	2,000	(39.4)	75.82
Full year	62,000	0.6	8,400	(3.2)	8,700	(2.9)	5,600	(9.1)	212.29

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2018

(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, 2018	26,731,033 shares	As of September 30, 2017	26,731,033 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	352,535 shares	As of September 30, 2017	351,714 shares
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Average number of shares during the period

Year ended September 30, 2018	26,378,905 shares	Year ended September 30, 2017	26,496,263 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2017	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	20,039	22,268
Notes and accounts receivable - trade	6,555	7,690
Lease investment assets	269	290
Merchandise and finished goods	325	200
Work in process	289	255
Raw materials and supplies	140	163
Deferred tax assets	2,046	2,213
Other	913	914
Allowance for doubtful accounts	(33)	(35)
Total current assets	30,545	33,961
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,619	7,991
Machinery, equipment and vehicles, net	508	596
Tools, furniture and fixtures, net	1,249	1,418
Land	6,922	6,922
Leased assets, net	342	275
Construction in progress	569	259
Total property, plant and equipment	16,212	17,464
Intangible assets		
Software	2,806	2,983
Software in progress	976	698
Other	29	26
Total intangible assets	3,812	3,707
Investments and other assets		
Investment securities	23,659	24,026
Long-term loans receivable	82	87
Deferred tax assets	2,953	2,998
Long-term time deposits	6,000	6,000
Guarantee deposits	1,310	1,318
Long-term lease investment assets	459	350
Other	392	286
Total investments and other assets	34,858	35,068
Total non-current assets	54,883	56,240
Total assets	85,428	90,202

(Millions of yen)

	As of September 30, 2017	As of September 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	2,392	2,824
Electronically recorded obligations - operating	897	1,080
Current portion of long-term loans payable	71	142
Lease obligations	353	363
Accounts payable - other	2,918	2,805
Income taxes payable	1,445	1,689
Accrued consumption taxes	543	492
Provision for bonuses	3,028	3,169
Other	1,694	1,387
Total current liabilities	13,345	13,955
Non-current liabilities		
Long-term loans payable	223	580
Lease obligations	746	576
Net defined benefit liability	1,668	2,036
Other	552	501
Total non-current liabilities	3,191	3,696
Total liabilities	16,536	17,651
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,409
Retained earnings	56,549	59,806
Treasury shares	(968)	(971)
Total shareholders' equity	66,690	69,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	621	917
Total accumulated other comprehensive income	621	917
Share acquisition rights	178	235
Non-controlling interests	1,401	1,453
Total net assets	68,892	72,550
Total liabilities and net assets	85,428	90,202

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

(Millions of yen)

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018
Net sales	59,705	61,621
Cost of sales	20,419	21,002
Gross profit	39,285	40,619
Selling, general and administrative expenses	30,718	31,939
Operating profit	8,567	8,679
Non-operating income		
Interest income	31	31
Dividend income	110	122
Land and house rent received	42	46
Subsidy income	—	40
Share of profit of entities accounted for using equity method	11	12
Other	33	31
Total non-operating income	229	284
Non-operating expenses		
Interest expenses	3	2
Other	0	0
Total non-operating expenses	4	3
Ordinary profit	8,792	8,961
Extraordinary income		
Gain on sales of non-current assets	2	3
Reversal of provision for Asset retirement obligation	23	—
Total extraordinary income	25	3
Extraordinary losses		
Loss on sales of non-current assets	—	3
Loss on retirement of non-current assets	3	9
Loss on retirement of software	15	—
Loss on valuation of investment securities	—	53
Impairment loss	0	0
Total extraordinary losses	19	66
Profit before income taxes	8,798	8,897
Income taxes - current	2,828	3,032
Income taxes - deferred	(156)	(347)
Total income taxes	2,671	2,685
Profit	6,126	6,212
Profit attributable to non-controlling interests	55	54
Profit attributable to owners of parent	6,071	6,158

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018
Profit	6,126	6,212
Other comprehensive income		
Valuation difference on available-for-sale securities	970	304
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	971	304
Comprehensive income	7,097	6,517
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,032	6,454
Comprehensive income attributable to non-controlling interests	65	63

Consolidated statements of changes in equity

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		Share acquisition rights	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

Fiscal year ended September 30, 2018

(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	56,549	(968)	66,690
Changes of items during period					
Dividends of surplus			(2,901)		(2,901)
Profit attributable to owners of parent			6,158		6,158
Purchase of treasury shares				(3)	(3)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,256	(3)	3,253
Balance at end of current period	5,700	5,409	59,806	(971)	69,944

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	621	621	178	1,401	68,892
Changes of items during period					
Dividends of surplus					(2,901)
Profit attributable to owners of parent					6,158
Purchase of treasury shares					(3)
Net changes of items other than shareholders' equity	295	295	57	52	405
Total changes of items during period	295	295	57	52	3,658
Balance at end of current period	917	917	235	1,453	72,550

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	8,798	8,897
Depreciation	2,716	2,646
Increase (decrease) in allowance for doubtful accounts	(2)	2
Increase (decrease) in provision for bonuses	174	140
Increase (decrease) in net defined benefit liability	85	368
Interest and dividend income	(141)	(154)
Interest expenses	3	2
Share of loss (profit) of entities accounted for using equity method	(11)	(12)
Loss on retirement of non-current assets	3	9
Loss on retirement of software	15	—
Loss (gain) on sales of non-current assets	(2)	0
Impairment loss	0	0
Loss (gain) on valuation of investment securities	—	53
Gain on reversal of asset retirement obligations	(23)	—
Share-based compensation expenses	46	57
Decrease (increase) in notes and accounts receivable - trade	(132)	(1,422)
Decrease (increase) in inventories	(123)	136
Decrease (increase) in other assets	14	(74)
Increase (decrease) in notes and accounts payable - trade	634	736
Increase (decrease) in other liabilities	(394)	(89)
Increase (decrease) in accrued consumption taxes	13	(50)
Other, net	(59)	105
Subtotal	11,614	11,353
Interest and dividend income received	168	192
Interest expenses paid	(3)	(2)
Income taxes paid	(3,655)	(2,733)
Net cash provided by (used in) operating activities	8,123	8,810
Cash flows from investing activities		
Payments into time deposits	(3,000)	(3,000)
Proceeds from withdrawal of time deposits	4,000	3,000
Purchase of property, plant and equipment	(2,124)	(2,552)
Proceeds from sales of property, plant and equipment	2	5
Purchase of intangible assets	(1,602)	(1,395)
Proceeds from redemption of investments in capital	100	—
Purchase of investment securities	(2,561)	(1)
Proceeds from redemption of investment securities	500	—
Payments for guarantee deposits	(15)	(31)
Proceeds from collection of guarantee deposits	9	23
Payments of loans receivable	—	(150)
Collection of loans receivable	74	139
Other payments	—	(49)
Other proceeds	1	0
Net cash provided by (used in) investing activities	(4,617)	(4,013)

(Millions of yen)

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(40)	—
Proceeds from long-term loans payable	—	500
Repayments of long-term loans payable	(71)	(71)
Repayments of lease obligations	(102)	(86)
Purchase of treasury shares	(677)	(3)
Cash dividends paid	(2,119)	(2,895)
Dividends paid to non-controlling interests	(9)	(10)
Other, net	0	—
Net cash provided by (used in) financing activities	(3,019)	(2,567)
Net increase (decrease) in cash and cash equivalents	486	2,229
Cash and cash equivalents at beginning of period	16,552	17,039
Cash and cash equivalents at end of period	17,039	19,268