

Quarterly Report

(53rd Term 1st Quarter)

Started October 1, 2018

Ended December 31, 2018

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

Fiscal year		52nd Term 1st quarter consolidated cumulative period	53rd Term 1st quarter consolidated cumulative period	Fiscal 52nd Term
Accounting period		Started October 1, 2017; ended December 31, 2017	Started October 1, 2018; ended December 31, 2018	Started October 1, 2017; ended September 30, 2018
Net sales	(millions of yen)	14,664	14,141	61,621
Ordinary income	(millions of yen)	2,524	1,729	8,961
Quarterly (current) net income attributable to owners of parent	(millions of yen)	1,698	1,170	6,158
Quarterly comprehensive income or comprehensive income	(millions of yen)	2,248	204	6,517
Net assets	(millions of yen)	69,603	71,332	72,550
Total assets	(millions of yen)	81,794	84,342	90,202
Quarterly (current) net income per share	(yen)	64.38	44.38	233.46
Quarterly (current) diluted net income per share	(yen)	64.12	44.17	232.41
Equity ratio	(%)	83.1	82.6	78.6

(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).

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 1st 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 1st 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 1st quarter consolidated cumulative period (hereinafter, "the current 1st quarter") of the consolidated Group comprising of TKC Corporation and its six consolidated subsidiaries recorded a net sales of 14,141 million yen (decreased 3.6% year-on-year), operating income of 1,618 million yen (decreased 33.4% year-on-year), ordinary income of 1,729 million yen (decreased 31.5% year-on-year), and net income attributable to owners of parent of 1,170 million yen (decreased 31.1% year-on-year).

This was due to the absence in the current 1st quarter of sales from system revision works in response to amendments to the My Number, National Health Insurance and long-term care insurance systems which was generated by the Local Governments BD in the 1st quarter of the previous fiscal year.

Net sales for the current 1st Quarter by business division are shown below.

1. Results of Operation of the Group for the 1st Quarter

(1) Net Sales of the Accounting Firm Business Division

- (i) Net sales of the Accounting Firm BD was 10,408 million yen (increased 2.6% year-on-year); operating income was 2,001 million yen (increased 0.1% year-on-year).
- (ii) Sales from computer services increased by 3.9% 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) for Tax Accounting Firms.
- (iii) Software sales increased only by 0.1% year-on-year. This is the result of the discount campaigns we offered for the packaged sales of the Inheritance Tax Declaration-related Systems (TPS8000 series) in response to the establishment of special measures under the business succession taxation scheme provided under the FY2018 tax reform, despite the steady growth in the numbers of users of FX4 Cloud and e21-Meister.
- (iv) Sales from consulting services decreased 6.3% 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 and other systems.
- (v) Hardware sales increased by 3.7% year-on-year. This was caused by increasing demands for PC replacements in response to termination of Windows 7 support in 2020.

(2) Net Sales of the Local Governments Business Division

- (i) Net sales of the Local Governments BD was 2,835 million yen (decreased 20.1% year-on-year); operating loss was 344 million yen (operating profit of 455 million yen in 1st quarter of the previous fiscal year). The full year operating results are expected to recover with services related to the common tax payment system for local taxes to be launched in October 2019.
- (ii) Sales from computer services increased by 5.2% year-on-year. This was driven by the increased sales from outsourcing services and the use of TKC data centers generated by orders for mission-critical systems from new customers, and the increase in the number of users of LGWAN cloud services such as the Convenience Store Certificate Issuing System and the Taxation Document Image Management System.

- (iii) Software sales decreased 44.6% year-on-year. This was, as stated above, due to the absence in the current 1st quarter 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 1st quarter of the previous fiscal year.
- (iv) Sales from consulting services decreased 0.2% year-on-year. This was due to decrease of sales in the current 1st quarter from orders for mission-critical systems from new municipalities in comparison to the 1st quarter of the previous fiscal year.
- (v) Hardware sales increased by 2.8% 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)

- (i) Net sales of the Printing BD was 897 million yen (decreased 7.3% year-on-year); operating loss was 38 million yen (operating loss of 29 million yen in the 1st quarter of the previous fiscal year).
- (ii) Sales of data printing service-related products decreased by 6.3% year-on-year. This was due to decrease in sales, including decrease in spot orders in relation to the general election received in the 1st quarter of the previous fiscal year and decrease in orders for direct mail productions from private enterprises.
- (iii) Business form-related sales decreased by 10.6% 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 patents for TKC Monitoring Information Service

Following the acquisition of the patent for “Accounting information monitoring system, authentication method, and program (Invention related to setup procedures for the use of TKC Monitoring Information Service and mechanism for authentication)” (Patent No. 6375425) in July 2018, the Company acquired the patent for “Accounting information monitoring system (Invention related to a mechanism for services to provide monthly trial balance data and financial statement data, etc.)” (Patent No. 6419378) in October 2018.

3. Business Activities and Operating Results of the Accounting Firm Business Division

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms) and works under close ties with the TKC National Federation, which consists of 11,200 certified public tax accountants and certified public accountants (as of December 31, 2018) 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 currently sets the following two focus activities and is actively taking actions to accomplish them:

- (i) Focus activity 1: Commit ourselves to the following three major themes and fulfill our roles in society!
 - 1) Prepare highly reliable financial statements in compliance with Chusho Kaikei Yoryo (Guidelines for SME Accounting) and make them widely known to financial institutions as well as raise their awareness to the guidelines
 - 2) Promote Shomen-tempu (attachment of tax audit reports) (ensure the reliability of financial statements and tax returns pursuant to the principle of final settlement of accounts)
 - 3) Promote self-accounting practices (achievement of positive balance and support for proper filing)
- (ii) Focus activity 2: Achieve the maximum use of the overall capability of accounting firms and build up a system that creates high added values!

Actively provide clients with the following three services in collaboration with local financial institutions:

- 1) TKC Monitoring Information Service
- 2) Support for business improvement (support for the early drafting of business improvement plans)
- 3) Support for founding of businesses, succession of businesses, and overseas expansion, etc.

(2) Strategic goals of the Accounting Firm Business Division

In order to support these activities of TKCNF, the Company has operated to achieve its strategic goals: to promote self-accounting by the TKC methods (promotion of FX series); to solicit new members (promotion of joining TKCNF); and to promote the use of Tax Accountant Office Management System (OMS).

We have further established new strategic goals: to support the promotion of TKC Monitoring Information Service; to support complete compliance with the Electronic Books Maintenance Act; and to support responding to special measures under the business succession taxation scheme.

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

During the current 1st quarter, the Company provided TKC Member firms with internal 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 came to approximately 260,000 companies as of December 31, 2018.

(ii) 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 1st quarter, we solicited new members through seminars held for non-members targeting medium- and large-sized firms and certified public accountants who plan to begin private practice.

As a result of these activities, the number of TKC Members totaled approximately 9,600 firms and 11,200 accountants as of December 31, 2018. The difference in numbers of firms and accountants are because some firms have multiple accountants who are members.

(iii) Promoting the use of Tax Accountants Office Management system (OMS)

The Company positions its Tax Accountants Office Management system (OMS) as a platform for all of the services it provides to TKC Member firms.

During the current 1st quarter, we promoted the use of OMS, highlighting the enhanced services available through the use of OMS including improved information security, stronger collaboration with financial institutions by utilizing the TKC Monitoring Information Service, and better compliance management by TKC Member firms.

(iv) Supporting the promotion of TKC Monitoring Information Service

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. Information will be made available at the earliest timing, for example, at the same time the client electronically files its fiscal financial settlement to the tax authorities.

During the current 1st quarter, we worked to communicate that the reliability of financial statements prepared by SMEs for financial institutions 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 certifies the timeliness in the preparation of accounting books as required under Article 432 of the Companies Act of Japan for three years (and at the same time certifies the one-stop, full line process of accounting books = financial statements = tax returns for corporate tax and consumption tax)
- 3) The Chusho Kaikei Yoryo checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and Japan Federation of Credit Guarantee Corporations

Thanks to high acclaims, the service has been adopted by Japan Finance Corporation (Micro Business and Individual Unit) to be used for its services (starting October 2018) as well as by 22 credit guarantee corporations nationwide.

As a result of these activities, the number of financial institutions adopting this service is increasing rapidly with more than 380 institutions throughout Japan, and nearly 70,000 companies providing their financial information through this Service as of December 31, 2018.

- (v) Supporting complete compliance with the Electronic Books Maintenance Act

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 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. We anticipate that the same treatment will be applied to the filing of corporate taxes in the future.

- (vi) Support in response to special measures under the business succession taxation scheme

In the FY2018 tax reform, the Japanese government set forth a special measure under the business succession taxation scheme in addition to the provisions of the conventional business succession taxation scheme. In order to be eligible, SMEs are required to submit to the prefectural governments a special business succession plan prepared under the guidance and advice of a certified business innovation support agency (“Certified Support Agency”). Additionally, under the FY2019 tax reform, a new business succession taxation scheme for one-person business has been established.

In an aim to enable TKC Members who are Certified Support Agency to efficiently support SMEs in the smooth succession of business, the Company launched the TKCNF Project for Special Measures under the Business Succession Taxation Scheme in collaboration with the TKCNF to develop systems, provide various support tools, and plan and host seminars.

- (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 (Chusho Kaikei Yoryo (Guidelines for SME Accounting)) formulated in February 2012 with which SME clients should comply. These Guidelines have been formulated 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 to 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 historical time series data that are automatically logged at the TKC data centers 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 Using TKC Data Centers, which prohibits any retroactive insertions, deletions and corrections to past data, and TKC Corporation proves, as a third party, that TKC Members have visited their clients on a monthly basis to provide guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed in a timely manner.

(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 1st quarter, the Company held seminars in collaboration with the TKCNF's Medium and Large-size Support Research Committee (consisting of approximately 1,300 members as of December 31, 2018) and the TKCNF's Overseas Deployment Support Research Committee (consisting of approximately 630 members as of December 31, 2018), 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.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 3,470 corporate groups as of December 31, 2018. Our systems are adopted by over 85% 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 294,000 judicial precedents and decisions as of December 31, 2018, 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 932,000 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 1st 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 19,600 institutions as of December 31, 2018.

(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 1st 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 56 schools as of December 31, 2018.

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-making for the promotion of local government cloud systems by the Japanese government.

In the current 1st quarter, we supported municipalities that newly implemented our services and is scheduled for a full-scale launch after December 2018 in enabling smooth system transition, while enhancing the functions of existing systems. As a result of the aggressive promotional activities, our mission-critical systems are adopted by over 150 municipalities nationwide as of December 31, 2018.

(2) Expansion of cloud services for residents

To promote the utilization of My Number Cards, more and more municipalities are introducing or considering adopting the Issuance of Certificates at Convenience Store service in view of providing more convenience to residents.

In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System as the system to realize this service. The 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 as of December 31, 2018.

In the current 1st 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, 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 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 December 31, 2018.

In the current 1st quarter, we engaged in the enhancement of functionalities and active promotional activities for data connection services and related 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 organize the system of accrual basis accounting (double entry bookkeeping) to complement the current cash basis accounting (single entry bookkeeping), and to prepare and disclose their financial documents 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 1st quarter, we engaged in the development and promotion of new functionalities such as the financial statement analysis functions by segment. As a result of our promotional activities for new customers, the TASK Cloud Public Accounting System has been adopted by Shibukawa City and Numata City in Gunma Prefecture as their Project for the Common Use of Financial Accounting System, and is also used in over 190 organizations across Japan as of December 31, 2018.

(5) Compliance with other revised laws and systems

In June 2018, the Japanese cabinet approved the Declaration to be the World's Most Advanced IT Nation: Basic Plan for the Advancement of Public and Private Sector Data Utilization to set forth the policy to push through the reform of administrative services with the full utilization of the digital technology in order to enhance competitiveness of Japan in the international arena. With this decision, municipalities throughout Japan will be required to realize administrative services in line with the Three Principles of Digitalization (digital first, once-only and connected one-stop) 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 1st quarter, the Company supported the My Number Card Utilization Demonstration Test for Himeji City, Hyogo Prefecture under the leadership of the System Planning Department, as well as conducted 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 conducts its manufacturing and sales activities with the main focus on data print services (DPS) and business form printing.

Sales in the area of DPS decreased from the 1st quarter of the previous year, due to decrease in spot orders such as orders related to the general election of members of the House of Representatives in October 2017, and also due to decrease in large orders for direct mail production from private enterprises.

In the area of business form printing, sales decreased from the 1st quarter of the previous year due to decline in demands for business forms.

II. Qualitative Information on Consolidated Financial Conditions

1. Assets

Total assets as of the end of the current 1st quarter consolidated accounting period amounted to 84,342 million yen, a 5,859 million yen decrease 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 1st quarter consolidated accounting period amounted to 27,270 million yen, a 4,477 million yen decrease compared to 31,747 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to 2,878 million yen decrease in Cash and deposits, and 1,780 million yen decrease in Notes and accounts receivable - trade.

(2) Non-current assets

Non-current assets as of the end of the current 1st quarter consolidated accounting period amounted to 57,072 million yen, a 1,381 million yen decrease compared to 58,454 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 1,443 million yen in Investment securities.

2. Liabilities

Total liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 13,010 million yen, a 4,640 million yen decrease 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 1st quarter consolidated accounting period amounted to 9,109 million yen, a 4,845 million yen decrease compared to 13,955 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to decreases of 1,030 million yen in accounts payable-trade, 1,291 million yen in accounts payable-other, 1,611 million yen in income taxes payable, and 1,813 million yen in provisions for bonuses, despite increases of 475 million yen in deposits received included under other and 593 million yen in suspense receipt of consumption taxes included under other.

(2) Non-current liabilities

Non-current liabilities as of the end of the current 1st quarter consolidated accounting period amounted to 3,901 million yen, a 204 million yen increase compared to 3,696 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to 139 million yen increase in long-term lease obligations (for use by the Company) and 59 million yen increase in liabilities from retirement benefits.

3. Net assets

Total net assets as of the end of the current 1st quarter consolidated accounting period amounted to 71,332 million yen, a 1,218 million yen decrease compared to 72,550 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 280 million yen in retained earnings and an decrease of 953 million yen in valuation difference on available-for-sale securities, despite an increase of 38 million yen in subscription rights to shares.

Equity ratio as of the end of the current 1st quarter consolidated accounting period was 82.6%, a 4.0 percentage point increase compared to the ratio of 78.6% as of the end of the previous consolidated fiscal year.

III. Operational and Financial Challenges Facing the TKC Group

There are no significant changes in challenges faced by the TKC Group during the current 1st quarter consolidated cumulative period.

IV. Research and Development Activities

There were no research and development expenses spent by the TKC Group during the current 1st quarter consolidated cumulative period.

There are no significant changes in the status of research and development activities of the TKC Group during the current 1st quarter consolidated cumulative period.

3 [Material Agreements, etc.]

There has been no decision or conclusion of material agreements, etc., during the current 1st 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 1st quarter accounting period (shares) (December 31, 2018)	Number of shares issued as of the filing date (shares) (February 7, 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]

Share subscription rights issued during the current 1st quarter accounting period are as follows:

Date of Resolution	October 31, 2018
Category and number of persons eligible for subscription rights to shares	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 23 Executive Officers
Number of subscription rights to shares*	133
Class, content and number of shares to be issued upon exercise of subscription rights to shares*	Common stocks: 13,300 shares (Note 1)
Amount to be paid in upon exercise of subscription rights to shares*	1 yen
Period for exercise of subscription rights to shares*	From December 11, 2018 To December 10, 2053
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares*	Price of issuing shares: 3,373 yen Amount of capitalization: 1,687 yen (Note 2)
Conditions for exercise of subscription rights to shares*	(Note 3)
Matters concerning the transfer of subscription rights to shares*	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.
Matters concerning the grant of subscription rights to shares upon organizational restructuring*	(Note 4)

(Notes) 1. When performing a share split (including gratis allotment of common shares of the Company; the same shall apply to all share splits described hereinafter) or share consolidation with respect to common shares of the Company after the allotment date of subscription rights to shares, the number of shares granted will be adjusted using the following formula:
Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of share split or share consolidation

Fractions of less than one share resulting from the foregoing adjustment shall be disregarded.

In addition, when the number of shares granted needs to be adjusted after the allotment date due to reasons other than those listed above, such as when the Company is engaged in a merger, a company split, a share exchange, or for any other reason where such an adjustment is required, the Company may adjust the number of shares granted as deemed necessary by the Board of Directors.

2. The price of issuing shares is the sum of the amount to be paid upon subscription and the amount to be paid in upon exercise of subscription rights to shares.
3. Conditions for exercise of subscription rights to shares
 - (1) A holder of subscription rights to shares may only exercise the share option rights within 10 days (or the next business day if the 10th day falls on a holiday) from the date following the day such holder loses his/her position as a Director or Auditor or as an employee of the Company. However, if a person who has lost his/her position as Director or Auditor or as an employee of the Company is appointed Director of the Company or employed by the Company with certain or specific entrustment within 10 days of having lost his/her original position, such person shall not be entitled to exercise the subscription rights to shares.
 - (2) Notwithstanding (1) above, should a proposal for the approval of a merger agreement where the Company would become dissolved, a proposal for the approval of a company split agreement or a company split plan where the Company would become a split company, or a proposal for the approval of a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary were to be approved at a General Meeting of Shareholders of the Company (or if a Board of Directors resolution is passed in case a resolution of General Meeting of Shareholders is not required), subscription rights to shares may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where subscription rights to shares of a restructured company are to be issued in accordance with the matters concerning the issuing of subscription rights to shares upon reorganization.
 - (3) All other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of subscription rights to shares.
4. If the Company is to engage in a merger with another (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type split or incorporation-type split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to be a wholly owned subsidiary) (hereafter jointly referred to as a "restructuring transaction"), subscription rights to shares in the entity set forth in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act of Japan (hereafter, the "restructured company") shall be issued to the holders of the subscription rights to shares remaining in effect at a time immediately before the effective date of the restructuring transaction (hereinafter respectively referring to the date an absorption-type merger comes into effect, the date the new corporation is incorporated following a consolidation-type merger, the date an absorption-type split comes into effect, the date the new corporation is incorporated following an incorporation-type company split, the date a share exchange comes into effect, or the date the new joint-stock corporation is incorporated following a share transfer) (hereinafter the "remaining subscription rights to shares"). However, such rights may be granted only if provisions for issuing the subscription rights to shares of the restructured company in accordance with the items described below are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type split agreement, an incorporation-type split plan, a share exchange agreement or a share transfer plan.
 - (1) The number of subscription rights to shares of the restructured company to be issued
The same number of subscription rights to shares as the number of remaining subscription rights to shares held by respective holders of subscription rights to shares.
 - (2) Class of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
Common shares of the restructured company.
 - (3) The number of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
To be determined in proportion to the class and number of shares to be issued upon exercise of subscription rights to shares defined in Note 1 above upon considering the conditions, etc. of the restructuring transactions.
 - (4) The amount of assets to be contributed upon exercise of subscription rights to shares
The amount shall be obtained by multiplying the amount to be paid in after restructuring as prescribed below by the number of shares of the restructured company to be issued upon exercise of each subscription right to shares as determined in accordance with (3) above. The amount to be paid in after restructuring shall be 1 yen per share of the restructured company to be issued upon exercise of each subscription rights to shares to be issued.
 - (5) Period in which subscription rights to shares can be exercised
The period shall start on the start date of the exercise period listed in the "Period to exercise subscription rights to shares" in the table above, or the date the restructuring transactions come into effect, whichever the later, and shall last until the expiration date of the period in which subscription rights to shares can be exercised.
 - (6) Matters concerning increases in capital stock and the capital reserve occurring when issuing shares upon exercise of subscription rights to shares:

- 1) The amount of capital to be increased shall be one half of the amount of the maximum increase in capital calculated in accordance with the provisions of Article 17, Paragraph 1 of the Ordinance on Company Accounting. Fractions under 1 yen resulting from these calculations shall be rounded up.
- 2) The amount of capital reserve to be increased shall be the amount calculated by subtracting the amount of capital increase stipulated in 1) above from the amount of maximum increase in capital described in 1) above.
- (7) Restrictions on the acquisition of subscription rights to shares through transfers
Acquisition of subscription rights to shares through transfers shall require the approval by resolution of the Board of Directors of the restructured company.
- (8) Other conditions for exercise of subscription rights to shares
To be determined in conformity with Note 3 above.
- (9) Provisions for the acquisition of subscription rights to shares
Subscription rights to shares may be acquired without compensation on a date separately specified by the Board of Directors should the following resolutions, 1), 2), 3), 4), or 5) be approved at a General Meeting of Shareholders of the Company (or through a resolution of a Meeting of Board of Directors of the Company, or upon the decision of an executive officer entrusted with such a matter pursuant to the provisions set forth in Article 416 Item 4 of the Companies Act of Japan in case a resolution of a General Meeting of Shareholders of the Company is not required):
 - 1) Resolution approving a merger agreement where the Company would become a dissolved company;
 - 2) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
 - 3) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;
 - 4) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of all shares issued by the Company through a transfer;
 - 5) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of the class of shares to be issued upon exercise of subscription rights to shares, or a provision to acquire all of such class of shares by resolution of the General Meeting of Shareholders of the Company.

(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 October 1, 2018 To December 31, 2018	—	26,731,033	—	5,700	—	5,409

(5) [Major shareholders]

There is nothing applicable to be disclosed as the current quarter is the 1st quarter accounting period.

(6) [Voting rights]

The status of voting rights as of the end of the current 1st quarter accounting period indicated hereunder are based on the shareholders registry as of the most recent record date (September 30, 2018) because the content of the shareholders registry as of the end of the current 1st quarter cannot be confirmed.

(i) [Issued shares]

As of September 30, 2018

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 356,300	—	—
Shares with full voting right (others)	Common stock 26,337,300	263,373	—
Shares less than one share unit	Common stock 37,433	—	—
Total number of issued shares	26,731,033	—	—
Total voting rights held by all shareholders	—	263,373	—

(Note) Shares with full voting right (others) includes 600 shares registered in the name of Japan Securities Depository Center, Inc.
Number of voting rights includes 6 units of voting rights held under the name of Japan Securities Depository Center, Inc.

(ii) [Treasury stock, etc.]

As of September 30, 2018

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	350,800	—	350,800	1.31
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	—	5,500	0.02
Total	—	356,300	—	356,300	1.33

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 August 2007).

2. Auditing and Attestation

The quarterly consolidated financial statements of the Company for the 1st quarter consolidated accounting period (from October 1, 2018 to December 31, 2018) and the 1st quarter consolidated cumulative period (from October 1, 2018 to December 31, 2018) have been audited by Ernst & Young ShinNihon LLC pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

1 [Quarterly Consolidated Financial Statements]

(1) [Quarterly consolidated balance sheets]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2018)	Current 1st quarter consolidated accounting period (December 31, 2018)
Assets		
Current assets		
Cash and deposits	22,268	19,390
Notes and accounts receivable - trade	7,690	5,910
Inventories	619	813
Other	1,204	1,187
Allowance for doubtful accounts	(35)	(32)
Total current assets	31,747	27,270
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	7,991	8,084
Land	6,922	6,922
Other (net amount)	2,550	2,788
Total property, plant and equipment	17,464	17,795
Intangible assets	3,707	3,514
Investments and other assets		
Investment securities	24,026	22,583
Long-term time deposits	6,000	6,000
Guarantee deposits	1,318	1,318
Other	5,937	5,860
Total investments and other assets	37,282	35,762
Total non-current assets	58,454	57,072
Total assets	90,202	84,342
Liabilities		
Current liabilities		
Accounts payable - trade	2,824	1,794
Electronically recorded obligations - operating	1,080	866
Shore-term loans payable	142	212
Accounts payable - other	3,661	2,369
Income taxes payable	1,689	77
Provisions for bonuses	3,169	1,356
Other	1,387	2,432
Total current liabilities	13,955	9,109
Non-current liabilities		
Long-term loans payable	580	563
Retirement benefit liabilities	2,036	2,096
Other	1,078	1,241
Total non-current liabilities	3,696	3,901
Total liabilities	17,651	13,010

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2018)	Current 1st quarter consolidated accounting period (December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,409
Retained earnings	59,806	59,526
Treasury stock	(971)	(965)
Total shareholders' equity	69,944	69,670
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	917	(36)
Total accumulated other comprehensive income	917	(36)
Subscription rights to shares	235	274
Non-controlling interests	1,453	1,423
Total net assets	72,550	71,332
Total liabilities and net assets	90,202	84,342

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

[Quarterly consolidated statements of income]

[1st quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)	Current 1st quarter consolidated cumulative period (Started October 1, 2018; ended December 31, 2018)
Net sales	14,664	14,141
Cost of sales	4,859	4,719
Gross profit	9,804	9,421
Selling, general and administrative expenses	7,375	7,802
Operating income	2,429	1,618
Non-operating income		
Interest income	16	8
Dividends income	54	63
Insurance dividends income	4	5
Land and house rent received	11	13
Equity in earnings of affiliates	1	3
Other	7	17
Total non-operating income	96	111
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	0	0
Other	0	—
Total non-operating expenses	0	0
Ordinary income	2,524	1,729
Extraordinary income		
Gains on sales of non-current assets	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	2	0
Total extraordinary loss	2	0
Quarterly net income before taxes and adjustments	2,522	1,729
Income taxes - current	258	37
Income taxes - deferred	573	532
Total income taxes	832	569
Quarterly net income	1,690	1,159
Quarterly profit (loss) attributable to non-controlling interests	(8)	(11)
Quarterly profit (loss) attributable to owners of parent	1,698	1,170

[Quarterly consolidated statements of comprehensive income]

[1st quarter consolidated cumulative period]

(Unit: millions of yen)

	Previous 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)	Current 1st quarter consolidated cumulative period (Started October 1, 2018; ended December 31, 2018)
Quarterly net income	1,690	1,159
Other comprehensive income		
Valuation difference on available-for-sale securities	557	(955)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	557	(955)
Quarterly comprehensive income	2,248	204
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	2,249	217
Quarterly comprehensive income attributable to non- controlling interests	(1)	(13)

[Notes to Financial Statements]

(Additional Information)

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 quarterly consolidated statements of cash flows)

The Company does not prepare the quarterly consolidated statements of cash flows for the current 1st quarter consolidated cumulative period. The depreciation (including depreciation of intangible assets) for the current 1st quarter consolidated cumulative period is as follows:

	Previous 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)	Current 1st quarter consolidated cumulative period (Started October 1, 2018; ended December 31, 2018)
Depreciation	618 million yen	678 million yen

(Notes to shareholders' equity, etc.)

I. Previous 1st quarter consolidated cumulative period (started October 1, 2017; ended December 31, 2017)

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

II. Current 1st quarter consolidated cumulative period (started October 1, 2018; ended December 31, 2018)

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

(Segment information, etc.)

[Segment information]

I. Previous 1st quarter consolidated cumulative period (started October 1, 2017; ended December 31, 2017)

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	10,146	3,548	968	14,664	—	14,664
(2) Inter-segment sales or transfers	0	—	323	323	(323)	—
Total	10,147	3,548	1,291	14,987	(323)	14,664
Segment profit (loss)	2,000	455	(29)	2,426	2	2,429

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

2. Segment profit (loss) is adjusted with the operating profit presented in the quarterly consolidated statements of income.

II. Current 1st quarter consolidated cumulative period (started October 1, 2018; ended December 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	10,408	2,835	897	14,141	—	14,141
(2) Inter-segment sales or transfers	1	0	341	342	(342)	—
Total	10,409	2,835	1,238	14,484	(342)	14,141
Segment profit (loss)	2,001	(344)	(38)	1,618	0	1,618

(Notes) 1. Adjustments of segment profit (loss) of 0 million yen include amounts for elimination of inter-segment transactions and adjustment of inventory assets.

2. Segment profit (loss) 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 1st quarter consolidated cumulative period (Started October 1, 2017; ended December 31, 2017)	Current 1st quarter consolidated cumulative period (Started October 1, 2018; ended December 31, 2018)
(1) Quarterly net income per share	64.38 yen	44.38 yen
(Basis for calculation)		
Quarterly net income attributable to owners of parent (millions of yen)	1,698	1,170
Amount not attributable to common shareholders (millions of yen)	—	—
Quarterly net income from common stocks attributable to owners of parent (millions of yen)	1,698	1,170
Average number of common stocks outstanding (hundreds of shares)	263,791	263,786
(2) Quarterly diluted net income per share	64.12 yen	44.17 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)	1,096	1,253
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	—	—

(Material subsequent events)

None to be disclosed.

2 [Other]

None to be disclosed.

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

None to be disclosed.

Quarterly Review Report of
Independent Auditors

February 7, 2019

TKC Corporation
To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner Executing Partner, Certified Public Accountant	Kanji Tako	(seal)
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Designated Limited Liability Partner Executing Partner, Certified Public Accountant	Yuichi Noda	(seal)
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Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, we conducted a quarterly 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 1st quarter consolidated accounting period (from October 1, 2018 to December 31, 2018) and for the 1st quarter consolidated cumulative period (from October 1, 2018 to December 31, 2018) stated in [Financial Information] hereunder, which consists of the quarterly consolidated balance sheet, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, 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 the quarterly consolidated financial statements referred to above does not properly represent, in all material respects, the financial conditions of TKC Corporation and its consolidated subsidiaries as of December 31, 2018 and their operating results for the 1st quarter consolidated cumulative period ending on the same date 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 review 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]	February 7, 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 1st quarter of the 53rd term (started October 1, 2018; ended December 31, 2018) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.