

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2019 (Based on Japanese GAAP)

November 11, 2019

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 20, 2019
 Scheduled date to file Securities Report: December 23, 2019
 Scheduled date to commence dividend payments: December 23, 2019
 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, 2019 (from October 1, 2018 to September 30, 2019)

(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, 2019	66,120	7.3	9,347	7.7	9,669	7.9	6,721	9.1
Year ended September 30, 2018	61,621	3.2	8,679	1.3	8,961	1.9	6,158	1.4

	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, 2019	255.52	255.01	9.4	10.3	14.1
Year ended September 30, 2018	233.46	232.41	8.9	10.2	14.1

(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, 2019	96,989	73,121	73.8	2,724.78
As of September 30, 2018	90,202	72,550	78.6	2,686.32

(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, 2019	10,550	411	(3,792)	26,810
Year ended September 30, 2018	8,810	(4,013)	(2,567)	19,268

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, 2018	—	50.00	—	55.00	105.00	2,769	45.0	4.0
Year ended September 30, 2019	—	55.00	—	55.00	110.00	2,909	43.0	4.1
Year ending September 30, 2020 (Forecast)	—	55.00	—	55.00	110.00		42.5	

3. Forecast of consolidated financial results for the year ending September 30, 2020 (from October 1, 2019 to September 30, 2020)

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, 2020	32,600	2.1	4,770	2.0	4,900	1.0	3,467	0.0	131.81
Full year	66,800	1.0	9,530	2.0	9,670	0.0	6,800	1.2	258.53

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2019

(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, 2019	26,731,033 shares	As of September 30, 2018	26,731,033 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	447,586 shares	As of September 30, 2018	352,535 shares
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Average number of shares during the period

Year ended September 30, 2019	26,302,854 shares	Year ended September 30, 2018	26,378,905 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	22,268	29,810
Notes and accounts receivable - trade	7,690	8,755
Lease investment assets	290	443
Merchandise and finished goods	200	308
Work in process	255	634
Raw materials and supplies	163	147
Other	914	1,015
Allowance for doubtful accounts	(35)	(41)
Total current assets	31,747	41,073
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,991	8,404
Machinery, equipment and vehicles, net	596	503
Tools, furniture and fixtures, net	1,418	1,793
Land	6,922	6,892
Leased assets, net	275	369
Construction in progress	259	—
Total property, plant and equipment	17,464	17,963
Intangible assets		
Software	2,983	2,456
Software in progress	698	807
Other	26	26
Total intangible assets	3,707	3,290
Investments and other assets		
Investment securities	24,026	15,527
Long-term loans receivable	87	38
Deferred tax assets	5,211	7,015
Long-term time deposits	6,000	9,500
Guarantee deposits	1,318	1,339
Long-term lease investment assets	350	1,033
Other	286	206
Total investments and other assets	37,282	34,661
Total non-current assets	58,454	55,915
Total assets	90,202	96,989

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	2,824	3,602
Electronically recorded obligations - operating	1,080	916
Current portion of long-term loans payable	142	142
Lease obligations	363	541
Accounts payable - other	2,805	2,661
Income taxes payable	1,689	2,450
Accrued consumption taxes	492	721
Provision for bonuses	3,169	3,600
Other	1,387	1,640
Total current liabilities	13,955	16,278
Non-current liabilities		
Long-term loans payable	580	479
Lease obligations	576	1,333
Retirement benefit liability	2,036	4,764
Provision for stock benefits	—	562
Other	501	450
Total non-current liabilities	3,696	7,590
Total liabilities	17,651	23,868
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,711
Retained earnings	59,806	63,623
Treasury shares	(971)	(1,630)
Total shareholders' equity	69,944	73,404
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	917	(83)
Remeasurements of defined benefit plans	—	(1,704)
Total accumulated other comprehensive income	917	(1,787)
Share acquisition rights	235	—
Non-controlling interests	1,453	1,504
Total net assets	72,550	73,121
Total liabilities and net assets	90,202	96,989

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

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Net sales	61,621	66,120
Cost of sales	21,002	22,822
Gross profit	40,619	43,298
Selling, general and administrative expenses	31,939	33,951
Operating profit	8,679	9,347
Non-operating income		
Interest income	31	31
Dividend income	122	135
Land and house rent received	46	52
Subsidy income	40	13
Share of profit of entities accounted for using equity method	12	27
Other	31	64
Total non-operating income	284	325
Non-operating expenses		
Interest expenses	2	2
Other	0	0
Total non-operating expenses	3	3
Ordinary profit	8,961	9,669
Extraordinary income		
Gain on sales of non-current assets	3	1
Gain on bargain purchase	—	88
Gain on reversal of share acquisition rights	—	274
Other	—	8
Total extraordinary income	3	373
Extraordinary losses		
Loss on sales of non-current assets	3	10
Loss on retirement of non-current assets	9	7
Loss on valuation of investment securities	53	—
Impairment loss	0	—
Loss on step acquisitions	—	20
Other	—	0
Total extraordinary losses	66	38
Profit before income taxes	8,897	10,004
Income taxes - current	3,032	3,776
Income taxes - deferred	(347)	(556)
Total income taxes	2,685	3,220
Profit	6,212	6,784
Profit attributable to non-controlling interests	54	63
Profit attributable to owners of parent	6,158	6,721

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit	6,212	6,784
Other comprehensive income		
Valuation difference on available-for-sale securities	304	(996)
Remeasurements of defined benefit plans, net of tax	—	(1,704)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	304	(2,701)
Comprehensive income	6,517	4,082
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,454	4,015
Comprehensive income attributable to non-controlling interests	63	66

Consolidated statements of changes in equity

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

Fiscal year ended September 30, 2019

(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	59,806	(971)	69,944
Changes of items during period					
Dividends of surplus			(2,904)		(2,904)
Profit attributable to owners of parent			6,721		6,721
Purchase of treasury shares				(1,387)	(1,387)
Disposal of treasury shares		228		535	763
Increase by share exchanges		74		193	267
Net changes of items other than shareholders' equity					
Total changes of items during period	–	302	3,816	(658)	3,460
Balance at end of current period	5,700	5,711	63,623	(1,630)	73,404

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	917	–	917	235	1,453	72,550
Changes of items during period						
Dividends of surplus						(2,904)
Profit attributable to owners of parent						6,721
Purchase of treasury shares						(1,387)
Disposal of treasury shares						763
Increase by share exchanges						267
Net changes of items other than shareholders' equity	(1,001)	(1,704)	(2,705)	(235)	50	(2,890)
Total changes of items during period	(1,001)	(1,704)	(2,705)	(235)	50	570
Balance at end of current period	(83)	(1,704)	(1,787)	–	1,504	73,121

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	8,897	10,004
Depreciation	2,646	3,006
Increase (decrease) in allowance for doubtful accounts	2	(8)
Increase (decrease) in provision for bonuses	140	402
Increase (decrease) in retirement benefit liability	368	170
Increase (decrease) in provision for stock benefits	–	562
Interest and dividend income	(154)	(103)
Interest expenses	2	2
Share of loss (profit) of entities accounted for using equity method	(12)	(27)
Loss on retirement of non-current assets	9	7
Loss (gain) on sales of non-current assets	0	9
Impairment loss	0	–
Loss (gain) on valuation of investment securities	53	–
Share-based compensation expenses	57	44
Gain on reversal of share acquisition rights	–	(274)
Gain on bargain purchase	–	(88)
Loss (gain) on step acquisitions	–	20
Decrease (increase) in notes and accounts receivable - trade	(1,422)	(566)
Decrease (increase) in inventories	136	(372)
Decrease (increase) in other assets	(74)	179
Increase (decrease) in notes and accounts payable - trade	736	566
Increase (decrease) in other liabilities	(89)	(272)
Increase (decrease) in accrued consumption taxes	(50)	215
Other, net	105	(17)
Subtotal	11,353	13,458
Interest and dividend income received	192	200
Interest expenses paid	(2)	(2)
Income taxes paid	(2,733)	(3,106)
Net cash provided by (used in) operating activities	8,810	10,550
Cash flows from investing activities		
Payments into time deposits	(3,000)	(6,500)
Proceeds from withdrawal of time deposits	3,000	3,000
Purchase of property, plant and equipment	(2,552)	(1,929)
Proceeds from sales of property, plant and equipment	5	25
Purchase of intangible assets	(1,395)	(1,249)
Proceeds from redemption of investments in capital	–	0
Purchase of investment securities	(1)	(3,001)
Proceeds from sales of investment securities	–	15
Proceeds from redemption of investment securities	–	10,000
Payments for guarantee deposits	(31)	(8)
Proceeds from collection of guarantee deposits	23	15
Payments of loans receivable	(150)	–
Collection of loans receivable	139	49
Other payments	(49)	(5)
Other proceeds	0	–
Net cash provided by (used in) investing activities	(4,013)	411

(Millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Cash flows from financing activities		
Proceeds from long-term loans payable	500	—
Repayments of long-term loans payable	(71)	(142)
Repayments of lease obligations	(86)	(101)
Purchase of treasury shares	(3)	(1,387)
Proceeds from disposal of treasury shares	—	756
Cash dividends paid	(2,895)	(2,900)
Dividends paid to non-controlling interests	(10)	(16)
Other, net	—	0
Net cash provided by (used in) financing activities	(2,567)	(3,792)
Net increase (decrease) in cash and cash equivalents	2,229	7,169
Cash and cash equivalents at beginning of period	17,039	19,268
Increase in cash and cash equivalents from newly consolidated subsidiary	—	372
Cash and cash equivalents at end of period	19,268	26,810