

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2020 (Based on Japanese GAAP)

May 1, 2020

Company name: TKC Corporation
 Stock exchange listing: Tokyo
 Stock code: 9746 URL <https://www.tkc.jp/>
 Representative: President and Representative Director Masanori Iizuka
 Inquiries: Vice President and Representative Director Hitoshi Iwata TEL 03-3235-5511
 Scheduled date to file Quarterly Securities Report: May 7, 2020
 Scheduled date to commence dividend payments: June 15, 2020
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2020 (from October 1, 2019 to March 31, 2020)

(1) Consolidated operating results (cumulative)

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	%
Six months ended March 31, 2020	35,137	10.0	6,991	49.4	7,149	47.4	4,712	36.0
Six months ended March 31, 2019	31,936	5.3	4,678	(4.0)	4,850	(2.8)	3,466	5.1

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2020	179.32	—
Six months ended March 31, 2019	131.45	130.92

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2020	95,412	75,144	78.8
As of September 30, 2019	96,989	73,121	73.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended September 30, 2019	—	55.00	—	55.00	110.00
Year ending September 30, 2020	—	55.00			
Year ending September 30, 2020 (Forecast)			—	55.00	110.00

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
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 six months ended March 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of March 31, 2020	26,731,033 shares	As of September 30, 2019	26,731,033 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	452,819 shares	As of September 30, 2019	447,586 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2020	26,280,827 shares	Six months ended March 31, 2019	26,368,059 shares
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Quarterly consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of September 30, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	29,810	24,489
Notes and accounts receivable - trade	8,755	9,697
Inventories	1,090	762
Other	1,459	1,211
Allowance for doubtful accounts	(41)	(40)
Total current assets	41,073	36,121
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,404	8,255
Land	6,892	6,892
Other, net	2,666	2,532
Total property, plant and equipment	17,963	17,679
Intangible assets	3,290	2,973
Investments and other assets		
Investment securities	15,527	15,066
Long-term time deposits	9,500	13,600
Guarantee deposits	1,339	1,423
Other	8,294	8,547
Total investments and other assets	34,661	38,638
Total non-current assets	55,915	59,291
Total assets	96,989	95,412
Liabilities		
Current liabilities		
Accounts payable - trade	3,602	2,567
Electronically recorded obligations - operating	916	907
Short-term borrowings	142	212
Accounts payable - other	3,924	2,542
Income taxes payable	2,450	2,485
Provision for bonuses	3,600	2,980
Other	1,640	2,133
Total current liabilities	16,278	13,828
Non-current liabilities		
Long-term borrowings	438	366
Retirement benefit liability	4,764	3,647
Provision for share-based remuneration	562	586
Other	1,825	1,838
Total non-current liabilities	7,590	6,439
Total liabilities	23,868	20,267

	(Millions of yen)	
	As of September 30, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Share capital	5,700	5,700
Capital surplus	5,711	6,588
Retained earnings	63,623	66,880
Treasury shares	(1,630)	(1,658)
Total shareholders' equity	73,404	77,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(83)	(748)
Remeasurements of defined benefit plans	(1,704)	(1,618)
Total accumulated other comprehensive income	(1,787)	(2,366)
Non-controlling interests	1,504	—
Total net assets	73,121	75,144
Total liabilities and net assets	96,989	95,412

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Net sales	31,936	35,137
Cost of sales	11,160	12,199
Gross profit	20,776	22,938
Selling, general and administrative expenses	16,098	15,946
Operating profit	4,678	6,991
Non-operating income		
Interest income	15	19
Dividend income	63	70
Dividend income of insurance	6	3
Rental income from land and buildings	26	25
Share of profit of entities accounted for using equity method	13	—
Other	48	40
Total non-operating income	173	159
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	0	0
Other	0	0
Total non-operating expenses	1	1
Ordinary profit	4,850	7,149
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on reversal of share acquisition rights	274	—
Other	5	—
Total extraordinary income	279	0
Extraordinary losses		
Loss on sales of non-current assets	10	—
Loss on retirement of non-current assets	5	4
Total extraordinary losses	15	4
Profit before income taxes	5,114	7,144
Income taxes - current	1,681	2,310
Income taxes - deferred	(46)	142
Total income taxes	1,635	2,452
Profit	3,478	4,692
Profit (loss) attributable to non-controlling interests	12	(20)
Profit attributable to owners of parent	3,466	4,712

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Profit	3,478	4,692
Other comprehensive income		
Valuation difference on available-for-sale securities	(996)	(666)
Remeasurements of defined benefit plans, net of tax	—	85
Share of other comprehensive income of entities accounted for using equity method	(0)	—
Total other comprehensive income	(997)	(580)
Comprehensive income	2,481	4,112
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,470	4,134
Comprehensive income attributable to non-controlling interests	11	(22)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	5,114	7,144
Depreciation	1,455	1,573
Loss (gain) on sales of non-current assets	10	(0)
Loss on retirement of non-current assets	5	4
Gain on reversal of share acquisition rights	(274)	—
Increase (decrease) in provision for share-based remuneration	527	24
Increase (decrease) in provision for bonuses	(423)	(619)
Increase (decrease) in retirement benefit liability	121	(993)
Decrease (increase) in trade receivables	(987)	(1,565)
Decrease (increase) in other assets	70	487
Increase (decrease) in trade payables	(102)	(1,039)
Increase (decrease) in other liabilities	(402)	(65)
Other, net	(42)	(75)
Subtotal	5,072	4,875
Interest and dividends received	160	99
Interest paid	(1)	(0)
Income taxes paid	(1,579)	(2,247)
Net cash provided by (used in) operating activities	3,651	2,726
Cash flows from investing activities		
Payments into time deposits	(2,000)	(5,800)
Proceeds from withdrawal of time deposits	1,500	1,500
Purchase of property, plant and equipment	(977)	(623)
Purchase of intangible assets	(506)	(507)
Purchase of investment securities	(0)	(4,504)
Proceeds from redemption of investment securities	—	4,000
Purchase of shares of subsidiaries	—	(593)
Other, net	51	(172)
Net cash provided by (used in) investing activities	(1,932)	(6,702)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	70	70
Repayments of long-term borrowings	(71)	(71)
Proceeds from sales of treasury shares	753	0
Purchase of treasury shares	(1,359)	(31)
Dividends paid	(1,448)	(1,452)
Dividends paid to non-controlling interests	(16)	(11)
Other, net	(51)	(50)
Net cash provided by (used in) financing activities	(2,123)	(1,545)
Net increase (decrease) in cash and cash equivalents	(403)	(5,521)
Cash and cash equivalents at beginning of period	19,268	26,810
Cash and cash equivalents at end of period	18,864	21,289