

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2020 (Based on Japanese GAAP)

November 4, 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 of ordinary general meeting of shareholders: December 18, 2020
 Scheduled date to file Securities Report: December 21, 2020
 Scheduled date to commence dividend payments: December 21, 2020
 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, 2020 (from October 1, 2019 to September 30, 2020)

(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, 2020 | 67,814 | 2.6 | 11,381 | 21.8 | 11,685 | 20.8 | 7,821 | 16.4 |
| Year ended September 30, 2019 | 66,120 | 7.3 | 9,347 | 7.7 | 9,669 | 7.9 | 6,721 | 9.1 |

| | 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, 2020 | 297.63 | — | 10.5 | 12.0 | 16.8 |
| Year ended September 30, 2019 | 255.52 | 255.01 | 9.4 | 10.3 | 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, 2020 | 97,671 | 77,075 | 78.9 | 2,933.12 |
| As of September 30, 2019 | 96,989 | 73,121 | 73.8 | 2,724.78 |

(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, 2020 | 10,569 | (10,124) | (3,786) | 23,469 |
| Year ended September 30, 2019 | 10,550 | 411 | (3,792) | 26,810 |

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, 2019 | — | 55.00 | — | 55.00 | 110.00 | 2,909 | 43.0 | 4.1 |
| Year ended September 30, 2020 | — | 55.00 | — | 65.00 | 120.00 | 3,176 | 40.3 | 4.2 |
| Year ending September 30, 2021 (Forecast) | — | 65.00 | — | 65.00 | 130.00 | | 43.5 | |

3. Forecast of consolidated financial results for the year ending September 30, 2021 (from October 1, 2020 to September 30, 2021)

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, 2021 | 31,000 | (11.8) | 5,900 | (15.6) | 6,050 | (15.4) | 4,100 | (13.0) | 156.01 |
| Full year | 66,000 | (2.7) | 11,400 | 0.2 | 11,700 | 0.1 | 7,850 | 0.4 | 298.71 |

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2020

(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, 2020 | 26,731,033 shares | As of September 30, 2019 | 26,731,033 shares |
|--------------------------|-------------------|--------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|--------------------------|----------------|--------------------------|----------------|
| As of September 30, 2020 | 453,315 shares | As of September 30, 2019 | 447,586 shares |
|--------------------------|----------------|--------------------------|----------------|

Average number of shares during the period

| | | | |
|-------------------------------|-------------------|-------------------------------|-------------------|
| Year ended September 30, 2020 | 26,279,387 shares | Year ended September 30, 2019 | 26,302,854 shares |
|-------------------------------|-------------------|-------------------------------|-------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of September 30, 2019 | As of September 30, 2020 |
|--|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 29,810 | 26,769 |
| Notes and accounts receivable - trade | 8,755 | 7,014 |
| Investments in leases | 443 | 432 |
| Merchandise and finished goods | 308 | 238 |
| Work in process | 634 | 307 |
| Raw materials and supplies | 147 | 177 |
| Other | 1,015 | 924 |
| Allowance for doubtful accounts | (41) | (19) |
| Total current assets | 41,073 | 35,844 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 8,404 | 8,182 |
| Machinery, equipment and vehicles, net | 503 | 547 |
| Tools, furniture and fixtures, net | 1,793 | 1,857 |
| Land | 6,892 | 6,911 |
| Leased assets, net | 369 | 290 |
| Construction in progress | – | 5 |
| Total property, plant and equipment | 17,963 | 17,794 |
| Intangible assets | | |
| Software | 2,456 | 2,724 |
| Software in progress | 807 | 370 |
| Other | 26 | 25 |
| Total intangible assets | 3,290 | 3,120 |
| Investments and other assets | | |
| Investment securities | 15,527 | 16,282 |
| Long-term loans receivable | 38 | 163 |
| Deferred tax assets | 7,015 | 7,360 |
| Long-term time deposits | 9,500 | 14,600 |
| Guarantee deposits | 1,339 | 1,438 |
| Long-term lease investment assets | 1,033 | 889 |
| Other | 206 | 178 |
| Total investments and other assets | 34,661 | 40,911 |
| Total non-current assets | 55,915 | 61,826 |
| Total assets | 96,989 | 97,671 |

(Millions of yen)

| | As of September 30, 2019 | As of September 30, 2020 |
|---|--------------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 3,602 | 2,181 |
| Electronically recorded obligations - operating | 916 | 802 |
| Current portion of long-term borrowings | 142 | 142 |
| Lease obligations | 541 | 522 |
| Accounts payable - other | 2,661 | 2,184 |
| Income taxes payable | 2,450 | 2,549 |
| Accrued consumption taxes | 721 | 1,520 |
| Provision for bonuses | 3,600 | 3,673 |
| Other | 1,640 | 1,124 |
| Total current liabilities | 16,278 | 14,701 |
| Non-current liabilities | | |
| Long-term borrowings | 438 | 295 |
| Lease obligations | 1,333 | 1,113 |
| Retirement benefit liability | 4,764 | 3,400 |
| Provision for share-based remuneration | 562 | 599 |
| Other | 492 | 485 |
| Total non-current liabilities | 7,590 | 5,893 |
| Total liabilities | 23,868 | 20,595 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,700 | 5,700 |
| Capital surplus | 5,711 | 6,588 |
| Retained earnings | 63,623 | 68,533 |
| Treasury shares | (1,630) | (1,660) |
| Total shareholders' equity | 73,404 | 79,161 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (83) | (553) |
| Remeasurements of defined benefit plans | (1,704) | (1,532) |
| Total accumulated other comprehensive income | (1,787) | (2,085) |
| Non-controlling interests | 1,504 | — |
| Total net assets | 73,121 | 77,075 |
| Total liabilities and net assets | 96,989 | 97,671 |

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

(Millions of yen)

| | Fiscal year ended September 30, 2019 | Fiscal year ended September 30, 2020 |
|---|---|---|
| Net sales | 66,120 | 67,814 |
| Cost of sales | 22,822 | 22,667 |
| Gross profit | 43,298 | 45,147 |
| Selling, general and administrative expenses | 33,951 | 33,766 |
| Operating profit | 9,347 | 11,381 |
| Non-operating income | | |
| Interest income | 31 | 37 |
| Dividend income | 135 | 146 |
| Rental income from land and buildings | 52 | 50 |
| Subsidy income | 13 | 15 |
| Share of profit of entities accounted for using equity method | 27 | – |
| Other | 64 | 56 |
| Total non-operating income | 325 | 306 |
| Non-operating expenses | | |
| Interest expenses | 2 | 1 |
| Other | 0 | 0 |
| Total non-operating expenses | 3 | 1 |
| Ordinary profit | 9,669 | 11,685 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 1 | 2 |
| Gain on bargain purchase | 88 | – |
| Gain on reversal of share acquisition rights | 274 | – |
| Other | 8 | – |
| Total extraordinary income | 373 | 2 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 10 | – |
| Loss on retirement of non-current assets | 7 | 40 |
| Loss on step acquisitions | 20 | – |
| Other | 0 | 0 |
| Total extraordinary losses | 38 | 41 |
| Profit before income taxes | 10,004 | 11,646 |
| Income taxes - current | 3,776 | 4,070 |
| Income taxes - deferred | (556) | (225) |
| Total income taxes | 3,220 | 3,845 |
| Profit | 6,784 | 7,801 |
| Profit (loss) attributable to non-controlling interests | 63 | (20) |
| Profit attributable to owners of parent | 6,721 | 7,821 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended September 30, 2019 | Fiscal year ended September 30, 2020 |
|--|---|---|
| Profit | 6,784 | 7,801 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (996) | (471) |
| Remeasurements of defined benefit plans, net of tax | (1,704) | 171 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | — |
| Total other comprehensive income | (2,701) | (299) |
| Comprehensive income | 4,082 | 7,501 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,015 | 7,524 |
| Comprehensive income attributable to non-controlling interests | 66 | (22) |

Consolidated statements of changes in equity

Fiscal year ended September 30, 2019

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,700 | 5,409 | 59,806 | (971) | 69,944 |
| Changes 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 in items other than shareholders' equity | | | | | |
| Total changes during period | – | 302 | 3,816 | (658) | 3,460 |
| Balance at end of 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 period | 917 | – | 917 | 235 | 1,453 | 72,550 |
| Changes 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 in items other than shareholders' equity | (1,001) | (1,704) | (2,705) | (235) | 50 | (2,890) |
| Total changes during period | (1,001) | (1,704) | (2,705) | (235) | 50 | 570 |
| Balance at end of period | (83) | (1,704) | (1,787) | – | 1,504 | 73,121 |

Fiscal year ended September 30, 2020

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,700 | 5,711 | 63,623 | (1,630) | 73,404 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,911) | | (2,911) |
| Profit attributable to owners of parent | | | 7,821 | | 7,821 |
| Purchase of treasury shares | | | | (34) | (34) |
| Disposal of treasury shares | | 0 | | 3 | 3 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 877 | | | 877 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | 877 | 4,909 | (30) | 5,756 |
| Balance at end of period | 5,700 | 6,588 | 68,533 | (1,660) | 79,161 |

| | Accumulated other comprehensive income | | | 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 period | (83) | (1,704) | (1,787) | 1,504 | 73,121 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (2,911) |
| Profit attributable to owners of parent | | | | | 7,821 |
| Purchase of treasury shares | | | | | (34) |
| Disposal of treasury shares | | | | | 3 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | 877 |
| Net changes in items other than shareholders' equity | (469) | 171 | (297) | (1,504) | (1,801) |
| Total changes during period | (469) | 171 | (297) | (1,504) | 3,954 |
| Balance at end of period | (553) | (1,532) | (2,085) | – | 77,075 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended September 30, 2019 | Fiscal year ended September 30, 2020 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 10,004 | 11,646 |
| Depreciation | 3,006 | 3,070 |
| Increase (decrease) in allowance for doubtful accounts | (8) | (21) |
| Increase (decrease) in provision for bonuses | 402 | 72 |
| Increase (decrease) in retirement benefit liability | 170 | 82 |
| A | – | (1,200) |
| Increase (decrease) in provision for share-based remuneration | 562 | 37 |
| Interest and dividend income | (103) | (183) |
| Interest expenses | 2 | 1 |
| Share of loss (profit) of entities accounted for using equity method | (27) | – |
| Loss on retirement of non-current assets | 7 | 40 |
| Loss (gain) on sales of non-current assets | 9 | (2) |
| Share-based remuneration expenses | 44 | – |
| Gain on reversal of share acquisition rights | (274) | – |
| Gain on bargain purchase | (88) | – |
| Loss (gain) on step acquisitions | 20 | – |
| Decrease (increase) in trade receivables | (566) | 1,257 |
| Decrease (increase) in inventories | (372) | 366 |
| Decrease (increase) in other assets | 179 | 68 |
| Increase (decrease) in trade payables | 566 | (1,559) |
| Increase (decrease) in other liabilities | (272) | (211) |
| Increase (decrease) in accrued consumption taxes | 215 | 798 |
| Other, net | (17) | 66 |
| Subtotal | 13,458 | 14,330 |
| Interest and dividends received | 200 | 212 |
| Interest paid | (2) | (1) |
| Income taxes paid | (3,106) | (3,971) |
| Net cash provided by (used in) operating activities | 10,550 | 10,569 |
| Cash flows from investing activities | | |
| Payments into time deposits | (6,500) | (8,400) |
| Proceeds from withdrawal of time deposits | 3,000 | 3,000 |
| Purchase of property, plant and equipment | (1,929) | (1,738) |
| Proceeds from sales of property, plant and equipment | 25 | 2 |
| Purchase of intangible assets | (1,249) | (1,369) |
| Proceeds from redemption of investments in capital | 0 | – |
| Purchase of investment securities | (3,001) | (5,505) |
| Proceeds from sales of investment securities | 15 | – |
| Proceeds from redemption of investment securities | 10,000 | 4,050 |
| Payments of guarantee deposits | (8) | (173) |
| Proceeds from refund of guarantee deposits | 15 | 97 |
| Loan advances | – | (230) |
| Collection of loans receivable | 49 | 141 |
| Other payments | (5) | (0) |
| Other proceeds | – | 1 |
| Net cash provided by (used in) investing activities | 411 | (10,124) |

(Millions of yen)

| | Fiscal year ended September 30, 2019 | Fiscal year ended September 30, 2020 |
|--|---|---|
| Cash flows from financing activities | | |
| Repayments of long-term borrowings | (142) | (142) |
| Repayments of lease obligations | (101) | (99) |
| Purchase of treasury shares | (1,387) | (34) |
| Proceeds from disposal of treasury shares | 756 | 0 |
| Dividends paid | (2,900) | (2,905) |
| Dividends paid to non-controlling interests | (16) | (11) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | – | (593) |
| Other, net | 0 | – |
| Net cash provided by (used in) financing activities | (3,792) | (3,786) |
| Net increase (decrease) in cash and cash equivalents | 7,169 | (3,341) |
| Cash and cash equivalents at beginning of period | 19,268 | 26,810 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | 372 | – |
| Cash and cash equivalents at end of period | 26,810 | 23,469 |