Summary of Earnings Report for the Fiscal Year Ended February 28, 2017

April 13, 2017

Name of listed company	TKP Corporation			Tokyo Stock Exchange
Code	3479	URL http://tkp.jp		
Representative:		CEO	Takateru Kawano	
Contact:		Operating Manager	Hiroshi Takagi	TEL +81-3-5227-7321
Scheduled date of shareholders meeting		May 15, 2017	Scheduled date of dividend payment:	–
Scheduled date of filing:		May 26, 2017		
Additional material of financial result:		Yes		
Result meeting:		Yes		

(Millions yen, rounded down)

1. Consolidated Results for the Fiscal Year Ended February 28, 2017 (March 1, 2016–February 28, 2017)

(1) Consolidated business results (%: Year-on-year comparison)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended Feb. 2017	21,978	22.5	2,694	34.4	2,552	38.1	1,352	44.5
Year ended Feb. 2016	17,941	26.7	2,004	128.3	1,848	160.3	935	175.8

(Note) Comprehensive income: Year ended Feb. 2017 1,341 Millions yen (48.8%); Year ended Feb. 2016 901 Millions yen (136.6%)

	Net Income per Share	Diluted Net Income per Share	ROE	ROA	OP margin
	¥	¥	%	%	%
Year ended Feb. 2017	316.52	–	36.0	12.5	12.3
Year ended Feb. 2016	218.99	–	35.5	13.2	11.2

(Notes) Equity in earnings: Year ended Feb. 2017 – Millions yen; Year ended Feb. 2016 – Millions yen

Note: On January 14, 2017, our company conducted a 100:1 stock split of ordinary shares. Net income per share has been calculated assuming that this stock split took place at the start of the preceding consolidated fiscal year.

(2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Year ended Feb. 2017	24,140	4,470	18.3	1,036.59
Year ended Feb. 2016	16,612	3,100	18.6	722.08

(Notes) Shareholders' equity: Year ended Feb. 2017 4,427 Million yen; Year ended Feb. 2016 3,084 Million yen

Note: On January 14, 2017, our company conducted a 100:1 stock split of ordinary shares. Net assets per share has been calculated assuming that this stock split took place at the start of the preceding consolidated fiscal year.

(3) Consolidated Cash flow

	Cash flow from Operating activities	Cash flow from Investing Activities	Cash flow from Financing Activities	Cash and Cash Equivalents at Year End
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended Feb. 2017	1,096	(7,705	6,310	5,494
Year ended Feb. 2016	2,618	(2,729	2,886	5,799

2. Dividend information

	Dividend per Share					Total Dividends	Dividend Yield	Ratio of Dividends to Net Assets
	1Q	Interim	3Q	Year end	Total			
		Yen		Yen		¥ millions	%	%
Year ended Feb. 2016	—	0.00	—	0.00	0.00	—	—	—
Year ended Feb. 2017	—	0.00	—	0.00	0.00	—	—	—
Year ending Feb. 2018 (forecast))	—	0.00	—	0.00	0.00		—	

3. Consolidated Business Plan for the Fiscal Year Ending February 28, 2018

(%: Comparison with the previous period)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	13,615	21.9	2,244	4.8	2,104	1.2	1,237	11.2	272.62
Full year	26,839	22.1	3,271	21.4	3,021	18.4	1,705	26.1	374.00

Note: The figure for net income per share was calculated based on the average number of planned issued shares during the period, with consideration for the sale of treasury stock (310,000 shares) resulting from public offering. It does not consider the number of shares sold (maximum 76,300 shares) as a result of third-party allocation related to secondary offering by way of over-allotment.

(3) Total number of shares issued (Ordinary shares)

① Number of shares issued at year end(inc. treasury stock)		4,730,000	Feb. 2016	4,730,000
② Treasury stock at year end	Feb. 20176	458,400	Feb. 2016	458,400
③ Average number of shares during fiscal year	Feb. 2017	4,271,600	Feb. 2016	4,271,600

Note: On January 14, 2017, our company conducted a 100:1 stock split of ordinary shares. The number of issued shares (ordinary shares) has been calculated assuming that this stock split took place at the start of the preceding consolidated fiscal year.

1. Analysis related to business results and the financial position

(1) Analysis related to business results

① Business results for this consolidated fiscal year

As a result of the shortage in the labor supply, the environment surrounding the TKP Group saw growth in the demand for our company's conference rooms due to active recruiting activities by many companies, as well as to employee training and other needs involved in transitioning part-time workers to full-time employees. Based on an agreement with the Federation of Economic Organizations (Keidanren), hiring of recent graduates was moved up by two months, and as a result the peak of facility use for hiring of recent graduates was also moved forward. The improved business results can also be seen in the growing use of our high-quality event facilities.

Under these conditions, in the domestic rental conference room market, we actively opened TKP Garden City PREMIUM Osaka Ekimae, TKP Shinsaibashi Station Conference Center, TKP Shinbashi Conference Center, TKP Garden City Obihiro Station, TKP Sapporo White Building Conference Center, TKP Garden City PREMIUM Nagoya Station, TKP Garden City Kagoshima Chuo, TKP Ikebukuro Conference Center, TKP Ochanomizu Conference Center, and TKP Garden City PREMIUM Meieki Nishiguchi. We also opened our second and third business hotels with adjacent conference rooms: the APA Hotel <TKP Sapporo Ekimae> and the APA Hotel <TKP Nippori Ekimae>.

As a result, we are now operating 1,752 rental conference rooms (up 14.4% from the end of the previous fiscal year) at 215 facilities (up 14.4%) across Japan and centered in the Tokyo Metropolitan Area. The table below shows the year-end sales, the number of facilities (the number in parentheses is the number of hotels), and the number of conference rooms (the number in parentheses is the number of hotel rooms) for each grade.

	GC (inc. GCP)	CC	BC	Star	Accommodation-type training	Others
Sales (Millions yen)	8,878	8,035	1,782	179	1,284	1,819
No. of facilities	43	67	53	41	11 (577)	-
No. of rental conference rooms	485	796	351	91	29 (699)	-

* There are five TKP conference room grades: Garden City PREMIUM (GCP), Garden City (GC), Conference Center (CC), Business Center (BC), and Star Rental Conference Rooms (Star). In addition, we also operate accommodation-type training facilities.

As a result of the above, the results for this consolidated fiscal year were sales of 21.978 billion yen (up 22.5% from the previous year), operating income of 2.694 billion yen (up 34.4%), ordinary income of 2.552 billion yen (up 38.1%), and net income attributable to owners of the parent of 1.352 billion yen (up 44.5%). Because this is the only segment of our space regeneration & distribution business, the explanation of results by segment will be omitted.

② Forecast for the next fiscal year

For the future, we will accelerate the opening of new facilities, aiming to further expand our business and profits. We will also carry out the measures listed in [3. Business policy (4) Issues to be addressed by the company] on P. 12.

For the results of the next fiscal year, we are forecasting sales of 26.839 billion yen, operating income of 3.271 billion yen, ordinary income of 3.021 billion yen, and net income attributable to owners of the parent of 1.705 billion yen.

(Individual preconditions)

[1] Sales

Based on the results from the previous year, and with consideration for order forecasts in the sales departments and the higher operating rate, a sales budget was formulated combining the monthly budgets that were created for each facility (including the 25 new conference room facilities). Order forecasts are formulated based on orders that include confirmed reservations as of October 2016 and the event calendars of customer companies as understood by our company, as well as plans for rental conference room use identified through interviews with customers. Small increases in the price per use are expected in the GC and GCP grades, the former due to reinforced marketing for parties, social events, and other high-price events, and the latter due to reinforced marketing aimed at new customers and other divisions of existing customers. Overall, increases in conference room use, price per use, and operating rate are expected, and higher sales compared with the previous year are forecast. The forecast also incorporates consideration for the opening timing of new rental conference room facilities that are based on a model facility (a reference model for each grade of new facility that was created using samples from existing facilities). For accommodations and training, the forecast includes the planned opening of the new facility Azur Takeshiba. For other services, the same levels as the same month in the previous year are expected.

In the fiscal year ending February 2018, we expect to be operating 1,946 conference rooms at 236 facilities. The table below shows the expected year-end sales, the number of facilities (the number in parentheses is the number of hotels), and the number of conference rooms (the number in parentheses is the number of hotel rooms) for each grade.

	GC (inc. GCP)	CC	BC	Star	Accommodation -type training	Others
Sales (Millions yen)	10,565	8,678	2,167	193	2,859	2,374
No. of facilities	49	72	62	41	12 (4)	-
No. of rental conference rooms	550	853	403	93	47 (699)	-

[2] Cost of sales

In the same way as for sales, based on the year-on-year monthly results from the previous year as of October 2016, a cost of sales plan for each account item is formulated for each facility (including the 25 new conference room facilities). For fixed expenses, the result values as of October 2016 are used. For variable expenses, the expected cost rate is multiplied by the forecast sales. Expense items which are neither fixed nor variable are calculated individually.

[3] Sales, general and administrative expenses

In the same way as for sales, based on the year-on-year monthly results from the previous year as of October 2016, a sales, general and administrative expenses plan for each account item is formulated for each facility (including the 25 new conference room facilities). Because demand for high profit-margin conference rooms increases from March through June due to new employee recruiting, operating income tends to be weighted towards the first half of the year.

(4) Business and other risks

1. Business of the TKP Group

(1) Dependence on specific businesses and specific regions

One of the characteristics of the TKP Group business is that our primary business converts underutilized real estate belonging to the property owners and makes effective use of it as conference rooms. Specifically, the rental conference room service rents locations and equipment to the customers for the purposes of training, meetings, and conferences outside the company for a fixed hourly price.

The sales system is dependent on the Tokyo Metropolitan Area where the companies that need these rental conference rooms are concentrated (Tokyo, Kanagawa Prefecture, Chiba Prefecture, Saitama Prefecture: accounting for 54.8% of sales in the Year 12 consolidated results).

As a result, if the market size in this region were to contract, or if prices were to fall and profits decline due to an increase in the supply of rental conference rooms, this could become a risk.

In addition, if a large-scale earthquake, other disaster, or similar event significantly impaired the operation of rental conference rooms, this also could become a risk.

(2) Competition

The rental conference room industry which the TKP Group is a member of cannot be described as having high obstacles to entry. Therefore there are a large number of companies in the same industry located across Japan, ranging from large corporations to various organizations and public facilities. Our Group has captured a broader customer base than our competitors, and operates a wide range of services that are provided together with the conference rooms in order to secure a superior position. We have accomplished this by expanding conference rooms for customers seeking low rental fees, and conference rooms that can be used from early morning until late at night, including on holidays, and by creating a mechanism that allows customers to complete all steps from requests to confirming reservations quickly on the Internet.

However there is the possibility of risks such as shrinking profit margins resulting from an increase in costs involved with the various measures used to address competition, or a reduction in sales prices resulting from intensified competition.

(3) Securing of conference room properties

One strength of the TKP Group is our dynamic strategy for opening facilities that does not involve acquiring ownership of the properties. If we are unable to secure new conference room properties as prescribed in our Group plan, or if we are unable to extend the operation of existing properties as planned, this could become a risk.

(4) Lease and guarantee deposits paid to real estate owners

When TKP Group operates rental conference rooms, in some cases the initial investment is paid by the Group, and in some cases it is paid by the real estate owner. Handling of the initial investment is different for each property. If for any reason, we were unable to obtain the return of lease and guarantee deposits from the real estate owners, and these amounts were unrecoverable, this could become a risk.

(5) Effects of changes in corporate recruitment activities

When trends in the major users of the TKP Group rental conference rooms was analyzed, we found that use for recruitment activities and new employee training accounted for a relatively large percentage of overall use. If there were a slowdown in recruitment activities, new employee training, and similar activities due to economic recession or other reason in the future, use of rental conference rooms would decline and this could become a risk.

(6) Seasonal fluctuations in business results

As described under “(5) Effects of changes in corporate recruitment activities”, use for recruitment activities and new employee training accounts for a relatively large percentage of overall rental conference room use. During the fourth quarter, in addition to relatively slow demand, payment of bonuses and other factors resulted in operating income that was lower than in past fourth quarters. There is the possibility of risk resulting from changes in the timing of corporate recruitment activities.

Sales and ordinary income for each quarter of the Year 11 consolidated fiscal year (March 1, 2015 – February 29,

2016) and Year 12 consolidated fiscal year (March 1, 2016 – February 28, 2017) are as shown below.

Period	1st quarter	2nd quarter	3rd quarter	4th quarter
	Mar. 1 2015 – May 31 2015	June 1 2015 – August 31 2015	September 1 2015 – November 30 2015	December 1 2015 – Feb. 28 2016
Sales (Millions yen)	4,447	4,669	4,511	4,314
Operating income (Millions yen)	804	739	520	(60

Period	1st quarter	2nd quarter	3rd quarter	4th quarter
	Mar. 1 2016 – May 31 2016	June 1 2016 – August 31 2016	September 1 2016 – November 30 2016	December 1 2016 – Feb. 28 2017
Sales (Millions yen)	5,756	5,414	5,339	5,468
Operating income (Million yen)	1,226	915	458	94

(7) Particular legal regulations

The rental conference rooms of the TKP Group must comply with the Fire Services Act that prescribes measures to ensure building safety, and we have acquired the licenses, registrations, etc. that are required by various related laws in order to operate our accommodation facilities. If new regulations are enacted or if regulations are revised, then this could become a risk.

(8) Hygiene management of food products

The TKP Group provides food and beverages at its conference rooms, banquet halls, restaurants, hotels, and other facilities, and we recognize that ensuring food safety is part of the mission of this Group. In the event of a food poisoning incident or problem in food hygiene within the Group, it is possible that we could be forced to stop operating for a period of time, and we could also lose customers due to the decline in our corporate image. This could become a risk.

(9) Protection of personal information

The space regeneration & distribution business of the TKP Group primarily involves business with corporate clients, and in the event that personal information protection was harmed as a result of leakage of important personal information outside the company, or a similar event, this could become a risk.

(10) System trouble

The TKP Group makes every effort to ensure the safety of its information systems, however in the event of a system failure, infection by a computer virus, access to computers by unauthorized means from outside the company, or similar occurrence, this could become a risk.

(11) Risks related to intellectual property rights

The TKP Group has trademarked the “TKP” company name and name of the website that we operate, “TKP rental conference room network”, and other intellectual property, and will continue to trademark other related names as we introduce new services on the website and elsewhere. However, there is no guarantee that there will be no lawsuits or complaints targeting our company for reasons of intellectual property right violations in the future. If such an event occurs, it could become a risk.

(12) Risk resulting from changes in foreign exchange rates

The TKP Group operates business overseas, and our business activities are affected by changes in the exchange rate. If the exchange rates change, this could become a risk.

(13) Risks involved with operating a business overseas

The TKP Group has overseas business sites in 3 countries: the USA, China, and Singapore. In the event that our business plans are delayed due to political instability, changes in laws such as customs law or tax law, or other unforeseeable event, and the company fails to respond appropriately, the number of customers could drop due loss of trust in the Group or a decline in the corporate image. This could become a risk.

(14) Risk of fixed asset loss

Tangible fixed assets in the TKP Group are increasing due to the increase in hotels and other accommodation facilities owned by our company in the accommodation services business. If impairment of these assets becomes necessary in the future, this could become a risk.

2. Others

(1) Dependence on specific persons

The company president of TKP Corporation is Takateru Kawano, who has been president since our Group was founded. He decides important business policies when constructing and executing Group business strategies, and has played an important role in conducting our business. If it became difficult to carry out the business of the Group for any reason, this could become a risk.

(2) Risks related to acquiring and training human resources

Human resources who are able to construct good relationships with customers and a wide range of other stakeholders are essential to the business of the TKP Group, and we strive to keep and train our employees. However, the hiring environment can change rapidly, both in Japan and at overseas sites in China or other countries. If we are unable to acquire and train human resources as planned, then this could become a risk.

(3) Effects of financing

The TKP Group acquires funds for the lease and guarantee deposits that are paid to some real estate owners, and for building construction and other initial investment, primarily by borrowing from financial institutions, centering on syndicated loans. If it became impossible to obtain funding from financial institutions, then this could become a risk.

(4) Dependence on interest-bearing liabilities

The TKP Group acquires operating funds for its space regeneration & distribution business primarily through loans from financial institutions and the issue of corporate bonds. The ratio of interest-bearing liabilities to total assets at the end of the Year 12 consolidated fiscal year was approximately 69%. If the interest rates, financing environment, or other matter were to changes as a result of financial conditions, economic conditions, or other reason, this could become a risk.

(5) Financial covenants

The interest-bearing liabilities of the TKP Group include some with financial covenants. In the unlikely event that our Group violates such a covenant and there is a demand for lump-sum repayment of the corresponding interest-bearing liability, this could become a risk.

(6) Dividend policy

The business of the TKP Group is at present in its advance investment phase. Currently our policy is to not pay dividends, and to endeavor to keep money within the company in order to prioritize the funds necessary for expanding our business. Based on this policy, the company has never paid profit dividends since it was founded. However we are considering returning profits or paying profit dividends to shareholders.

(7) Dilution of share value due to exercise of subscription rights

The TKP Group utilizes a stock options system in order to provide incentives to officials and employees. If subscription rights that are granted in the future are exercised, then there is the possibility of diluting the value of the shares currently owned.

As of the time of the announcement of these results, the number of potential shares from exercise of subscription rights is 128,500. This represents 2.72% of the total number of issued shares.

3. Business policies

(1) Basic management policy of the TKP Corporation

Starting from a rental conference room business for corporations, the TKP Group is aiming for a “space regeneration & distribution business” that regenerates space using underutilized real estate or land and adds value to them to create comfortable “places,” “spaces,” and “times,” and provides these spaces in order to contribute to society.

(2) Target business indexes

While focusing on expanding sales, the TKP Group is also working to reduce costs and improve its profit structure. We have identified “sales growth rate” (20%) and “consolidated operating income rate” (14 – 15%) as indexes for business results, and are working to achieve long-term targets.

(3) Mid- and long-term company business strategy

The TKP Group has formulated a mid-term management plan that prescribes the direction for the Group during the period from 2017 to 2019. We are operating conference rooms in 5 grades that correspond to the customer budgets, scale of use, purpose of use, and other factors in locations with convenient access across Japan. In order to meet the needs generated from this rental conference room service, we also provide optional services, beverage services, and accommodation services as we aim to achieve a balance of both the creation of comprehensive services with high added-value for the customers and also low prices.

(4) Issues to be addressed by the company

In the market of rental corporate conference rooms during this consolidated fiscal year, we succeeded in steadily growing the business results of the TKP Group, based on a foundation of constructing new customer channels that utilize the original IT tools of our Group. We recognize that important issues for our company include the development of ancillary services that support the customers centered on our rental conference room business, presenting ideas for customer-focused services, and improving the business system to make it more robust.

Based on the above, the policy of the TKP Group identifies the following as important issues as we conduct our business.

① Strengthening the business of general outsourcing for corporations

For the rental conference room service, we are actively working to open new facilities, primarily in large metropolitan areas where the demand for conference rooms is high in order to create a stronger nationwide network. At the same time, we will improve profitability by aiming for higher prices and improved operating rates at existing conference rooms.

We will also utilize the customer-attracting infrastructure and customer base that we have constructed in the rental conference room business to actively capture a wide range of needs faced by the corporate management divisions that are the primary customer base of our Group. These needs include catering, training consulting, recruitment agency business, and office operations. The purpose is to operate a business of general outsourcing for corporations and achieve more stable income.

② Improving systems and establishing a service brand

Because the demand for the rental corporate conference rooms that the TKP Group operate include combinations of wide-ranging services, demand can be broadly divided into cases when customers utilize the TKP consulting functions when using the conference rooms, and cases when they use the conference rooms as convenient spaces that they can easily reserve and use via a smartphone or other device without directly contacting our staff.

For the former cases, we will collect data related to customer use, and construct a system that will allow our sales staff to efficiently make suitable proposals at the appropriate times based on the event calendar for each customer. The operation of this system will allow us to capture more repeat customers and establish a service brand for the TKP Group.

For the latter cases, we will construct a system that will greatly improve the convenience of space matching between the rental conference room owners and users. This system will allow us to create a database of all non-operating times of all conference room, and provide a sharing economy service (Cloudspace) that is available on-demand to the conference room users, aiming for further penetration of our brand into the market.

In addition, we will invest in development of systems that will make it possible to provide functions and ancillary services that are even more convenient to the customers and real estate owners.

③ Securing and training human resources

We recognize that securing and training high-quality human resources is an issue of great urgency and importance, and will actively recruit and train human resources based on a mid- and long-term perspective.

We will also dedicate even greater effort to constructing a system for complete corporate ethics and firmly establishing compliance.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2016)	Current consolidated fiscal year (ended Feb. 28, 2017)
Assets		
Current assets		
Cash and savings	5,749	5,494
Accounts receivable	1,573	2,165
Deferred tax assets	108	119
Others	621	722
Allowance for doubtful accounts	(4)	(12)
Total current assets	8,048	8,489
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,205	5,983
Accumulated depreciation	(1,461)	(1,947)
Buildings and structures (net)	1,743	4,035
Tools, furniture and fixtures	280	361
Accumulated depreciation	(185)	(235)
Tools, furniture and fixtures (net)	94	125
Land	2,577	6,507
Construction in progress	198	90
Other	157	170
Accumulated depreciation	(82)	(106)
Other (net)	74	63
Total tangible fixed assets	4,689	10,822
Intangible fixed assets	55	64
Investments and other assets		
Investment securities	133	539
Long-term loans receivable	86	70
Deferred tax assets	89	133
Lease and guarantee deposits	3,518	4,021
Others	28	33
Allowance for doubtful accounts	(36)	(34)
Total investments and other assets	3,819	4,763
Total tangible fixed assets	8,563	15,650
Total assets	16,612	24,140

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2016)	Current consolidated fiscal year (ended Feb. 28, 2017)
Liabilities		
Current liabilities		
Accounts payable	423	400
Short-term loans payable	10	—
Current portion of bonds	730	770
Current portion of long-term loans payable	1,326	1,903
Income taxes payable	889	681
Others	1,540	1,528
Total current liabilities	4,919	5,284
Fixed liabilities		
Bonds	2,492	3,571
Long-term loans payable	5,693	10,363
Asset retirement obligations	184	263
Others	221	187
Total fixed liabilities	8,592	14,385
Total liabilities	13,511	19,669
Net assets		
Shareholders’ equity		
Capital	287	287
Capital surplus	242	242
Retained earnings	2,575	3,927
Treasury stock	(110)	(110)
Total shareholders’ equity	2,994	4,346
Total accumulated other comprehensive income		
Net unrealized holding gains on securities	41	47
Deferred gains (losses) on hedging instruments	(22)	(13)
Foreign currency translation adjustment	70	47
Total accumulated other comprehensive income	89	80
Non-controlling interests	15	42
Total net assets	3,100	4,470
Total net assets and liabilities	16,612	24,140

(2) Profit and Loss Statement and Consolidated Statement of Comprehensive Income

(Profit and Loss Statement)

(Units: Millions yen)

	Previous consolidated fiscal year (March 1, 2015 – Feb. 29, 2016)	Current consolidated fiscal year (March 1, 2016 – Feb. 28, 2017)
Sales	17,941	21,978
Cost of sales	11,376	13,707
Gross profit on sales	6,565	8,271
Sales, general and administrative expenses	4,561	5,576
Operating income	2,004	2,694
Non-operating income		
Interest income	5	2
Dividend income	5	5
Foreign exchange gain	6	2
Subsidy income	4	10
Gain from forgiveness of debt	―	17
Other	20	23
Total non-operating income	42	62
Non-operating expenses		
Interest paid	109	117
Commissions paid	10	8
Guarantee commission	14	15
Bond issue expense	55	46
Others	10	16
Total non-operating expenses	199	204
Ordinary income	1,848	2,552
Extraordinary losses		
Impairment loss	98	191
Total extraordinary losses	98	191
Net income before income taxes	1,749	2,360
Income taxes – current	892	1,066
Income taxes – deferred	(85)	(54)
Total income taxes	806	1,011
Net income	942	1,348
Net income (loss) attributable to non-controlling interests	6	(3)
Net income attributable to owners of the parent	935	1,352

(4) Consolidated Statement of Cash Flows

(Units: Millions yen)

	Previous consolidated fiscal year (March 1, 2015 – Feb. 29, 2016)	Current consolidated fiscal year (March 1, 2016 – Feb. 28, 2017)
Cash flows from operating activities		
Net income before income taxes	1,749	2,360
Depreciation	407	440
Impairment loss	98	191
Increase (decrease) in allowance for doubtful accounts	(1)	5
Bond issue expense	55	46
Interest and dividends received	(11)	(8)
Interest paid	109	117
Increase (decrease) in accounts receivable	(289)	(593)
Increase (decrease) in inventory assets	48	(6)
Increase (decrease) in accounts payable – trade	135	(22)
Increase (decrease) in accounts payable – other	133	139
Increase (decrease) in accrued expenses	37	48
Increase (decrease) in advances received	70	7
Others	(75)	(215)
Subtotal	2,469	2,510
Interest and dividends received	11	8
Interest paid	(105)	(118)
Income taxes paid	(44)	(1,303)
Refund of income taxes	288	–
Cash flow from operating activities	2,618	1,096
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(1,943)	(6,769)
Expenditures for acquisition of intangible fixed assets	(24)	(31)
Expenditures for acquisition of investment securities	(4)	(400)
Expenditures for long-term loans receivable	(3)	–
Income from collection of long-term loans payable	13	16
Expenditure for payment of lease and guarantee deposits	(894)	(776)
Income from collection of lease and guarantee deposits	131	252
Expenditure for execution of asset retirement obligation	(8)	(2)
Others	4	6
Cash flow from investing activities	(2,729)	(7,705)
Cash flow from financing activities		
Income from short-term loans payable	840	200
Expenditures for repayment of short-term loans payable	(950)	(210)
Income from long-term loans payable	2,809	6,737
Expenditures for repayment of long-term loans payable	(1,379)	(1,490)
Income from issue of bonds	2,394	1,853
Expenditures for redemption of bonds	(797)	(780)
Expenditures for payment of lease obligations	(29)	(27)
Income from issue of stock to non-controlling interests	–	28
Cash flow from financing activities	2,886	6,310
Effect of exchange rate on cash and cash equivalents	0	(7)
Increase (decrease) in cash and cash equivalents	2,775	(305)
Balance of cash and cash equivalents at start of year	3,024	5,799
Balance of cash and cash equivalents at end of year	5,799	5,494