Summary of Earnings Report for the Fiscal Year Ended February 28, 2018

April 16, 2018

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 30, 2018	Scheduled date of dividend payment:	－
Scheduled date of filing:		May 30, 2018		

Additional material of financial result: Yes

Result meeting: Yes (for analysts and institutional investors)

(Millions yen, rounded down)

1. Consolidated Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017–February 28, 2018)

(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. 2018	28,689	30.5	3,449	28.0	3,200	25.4	2,071	53.2
Year ended Feb. 2017	21,978	22.5	2,694	34.4	2,552	38.1	1,352	44.5

(Note) Comprehensive income	Year ended Feb. 2018	2,025	Millions yen	(51.0%)	Year ended Feb. 2017	1,341	Millions yen	(48.8%)

	Net Income per Share	Diluted Net Income per Share	ROE	ROA	OP margin
	¥	¥	%	%	%
Year ended Feb. 2018	63.95	62.84	31.8	10.9	12.0
Year ended Feb. 2017	45.22	－	36.0	12.5	12.3

Note: On January 14, 2017, our company conducted a 100:1 stock split and on September 1, 2017, our company conducted a 7:1 stock split. 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.

(2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Year ended Feb. 2018	34,530	8,655	24.9	263.95
Year ended Feb. 2017	24,140	4,470	18.3	148.08

(Notes) Shareholders' equity	Year ended Feb. 2018	8,606	Millions yen	Year ended Feb. 2017	4,427	Millions yen

Note: On January 14, 2017, our company conducted a 100:1 stock split and on September 1, 2017, our company conducted a 7:1 stock split. 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.

(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. 2018	1,995	(8,515)	6,735	5,706
Year ended Feb. 2017	1,096	(7,705)	6,310	5,494

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. 2017	—	0.00	—	0.00	0.00	—	—	—
Year ended Feb. 2018	—	0.00	—	0.00	0.00	—	—	—
Year ending Feb. 2019 (E)	—	0.00	—	0.00	0.00		—	

3. Consolidated Business Plan for the Fiscal Year Ending February 28, 2019

(%: 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	%	¥
Interim	17,222	23.2	2,445	6.4	2,319	9.6	1,342	(13.7)	41.17
Full year	34,550	20.4	4,004	16.1	3,729	16.5	2,120	2.4	65.05

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

① Number of shares issued at year end(inc. treasury stock)	Feb. 2018	33,110,000	Feb. 2017	33,110,000
② Treasury stock at year end	Feb. 2018	504,700	Feb. 2017	3,208,800
③ Average number of shares during fiscal year	Feb. 2018	32,388,079	Feb. 2017	29,901,200

Note: On January 14, 2017, our company conducted a 100:1 stock split and on September 1, 2017, our company conducted a 7:1 stock split. 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. Qualitative information concerning the quarterly results

(1) Explanation of business results

During this consolidated fiscal year (March 1, 2017 – February 28, 2018), the environment surrounding the TKP Group has seen growing demand for employee training and related matters as companies are actively recruiting new graduates, conducting mid-year hiring, and shifting part-time workers to full-time employees. This is due to the pressure on supply in the labor market that can be seen in the high openings-to-applications ratio. In combination with trends toward space conservation in our customers' offices, we have seen steady growth in demand for our company's conference rooms. Supported by strong corporate performance, growing numbers of customers are requesting the use of our high-quality facilities, and there has been an increase in demand for our highest-quality grade Garden City PREMIUM. There has also been growing demand for our LecTore series of resort training hotels as a result of more active use of accommodation-type corporate training.

Under these conditions, during this fiscal year the TKP Group was listed on the Mothers market at the Tokyo Stock Exchange on March 27, 2017, and acquired the subsidiary Majors, Inc. in order to make our entry into the high added-value business of event production. We also entered into a capital and business alliance with Otsuka Kagu, Ltd. and engaged in new projects such as space regeneration of commercial facilities other than office buildings and hotels for use as conference rooms, banquet facilities, and event halls.

Period	Open	Name of facilities	Object	Area
1Q (March-May 2017)	March	TKP Osaka Sakaisuji Honmachi Conference Center	Hotel banquet hall, meeting room	Osaka
	April	TKP Sapporo Convention Hall	Hotel banquet hall, meeting room	Hokkaido
	April	TKP Garden City Hamamatsucho	Hotel banquet hall, meeting room	Tokyo
	April	Bayside Hotel Azur Takeshiba	City Hotel	Tokyo
	May	LecTore Yugawara	Resort training hotel	Kanagawa
2Q (June-Aug 2017)	Aug	LecTore Atami Momoyama (renewal)	Resort training hotel	Shizuoka
	Aug	LecTore Hakone Gora (renewal)	Resort training hotel	Kanagawa
	Aug	Kizuna Susukino S4	Restaurant	Hokkaido
3Q (Sep-Nov 2017)	Sep	First Cabin TKP Nagoya Ekimae	Compact Hotel	Aichi
	Oct	Apa Hotel <TKP Sapporo Kitaguchi>EXCELLENT (increasing room)	Budget Hotel	Hokkaido
	Oct	TKP Garden City Hiroshima Ekimae Ohashi	Hotel banquet hall, meeting room	Hiroshima
	Nov	LecTore Atami Koarashi (renewal)	Resort training hotel	Shizuoka
4Q (Dec 2017-Feb 2018)	Dec	TKP Akihabara Conference Center	Hotel banquet hall, meeting room	Tokyo
	Dec	Apa Hotel < TKP Tokyo Nishi Kasai>	Budget Hotel	Tokyo
	Jan	TKP Garden City Premium Nagoya Lucent Tower	Hotel banquet hall, meeting room	Aichi
	Jan	TKP Garden City Sakae Ekimae	Hotel banquet hall, meeting room	Aichi
	Feb	TKP Hamamatsu Hall	Hotel banquet hall, meeting room	Shizuoka
	Feb	TKP Kyoto Shijo Ekimae Conference Center	Hotel banquet hall, meeting room	Kyoto

As shown in the table above, we succeeded in actively opening new facilities centered in major metropolitan areas, and as a result the total number of conference rooms operated by the TKP Group increased to 1,853 at the end of this consolidated fiscal year (up 6.0% from the end of the previous year), and we were able to aggressively capture the booming corporate demand for use of conference rooms.

As a result, we achieved results for this consolidated fiscal year that were substantially higher than the previous year. The results were sales of 28.689 billion yen (up 30.5% from the previous year), operating income of 3.449 billion yen (up 28.0%), ordinary income of 3.200 billion yen (up 25.4%), and net income attributable to owners of the parent of 2.071 billion yen (up 53.2%).

(2) Explanation of the financial position in this fiscal year

[1] Assets, liabilities, and net assets

(Current assets)

Current assets at the end of this consolidated fiscal year increased by 1.226 billion yen from the end of the previous consolidated fiscal year to reach 9.715 billion yen. The primary reason for the increase was an increase in accounts receivable of 713 million yen resulting from growth in sales.

(Fixed assets)

Fixed assets at the end of this consolidated fiscal year increased by 9.164 billion yen from the end of the previous consolidated fiscal year to reach 24.815 billion yen. The primary reasons for the increase were an increase of 2.714 billion yen in construction in process as a result of constructing new accommodation facilities and conference rooms, an increase of 1.849 billion yen in land, an increase of 1.963 billion yen in buildings and structures, an increase of 962 million yen in lease and guarantee deposits, and an increase of 997 million yen in investment securities.

(Current liabilities)

Current liabilities at the end of this consolidated fiscal year increased by 2.686 billion yen from the end of the previous consolidated fiscal year to reach 7.971 billion yen. The primary reasons for the increase were in increase of 1.250 billion yen in the current portion of long-term loans payable and an increase of 441 million yen in income taxes payable.

(Fixed liabilities)

Fixed liabilities at the end of this consolidated fiscal year increased by 3.519 billion yen from the end of the previous consolidated fiscal year to reach 17.904 billion yen. The primary reason for the increase was an increase of 3.305 billion yen in long-term loans payable.

(Net assets)

Net assets at the end of this consolidated fiscal year increased by 4.185 billion yen from the end of the previous consolidated fiscal year to reach 8.655 billion yen. The primary reasons for the increase were an increase of 2.060 billion yen in capital surplus resulting from the disposition of treasury stock at the time of our listing on the TSE in March 2017, and an increase of 2,071 billion yen in retained earnings resulting from our recording of 3.392 billion yen in net income before taxes.

(3) Explanation of cash flows in this fiscal year

The balance of cash and cash equivalents (hereafter referred to as “funds”) at the end of this consolidated fiscal year increased by 211 million yen from the end of the previous consolidated fiscal year to reach 5.706 billion yen.

The status of each cash flow during this consolidated fiscal year and the primary factors affecting them are as follows.

(Cash flow from operating activities)

Net funds acquired through operating activities were 1.995 billion yen (up 81.9% from the previous fiscal year). The primary factors were net income before taxes of 3.392 billion yen, and 908 million yen in adjustments to non-cash items. On the other hand, we paid 1.161 billion yen in income taxes, accounts receivable increased by 637 million yen as a result of higher sales, and we incurred prepaid expenses of 601 million yen as a result of business expansion.

(Cash flow from investing activities)

Net funds expended through investing activities were 8.515 billion yen (up 10.5% from the previous fiscal year). The primary factors were an expenditure of 9.498 billion yen for acquisition of tangible fixed assets, an expenditure of 1.058 billion yen for acquisition of investment securities, and an expenditure of 983 million yen for payment of lease and guarantee deposits, while on the other hand there was income of 3.130 billion yen as a result of sales of tangible fixed assets.

(Cash flow from financing activities)

Net funds acquired through financing activities were 6.735 billion yen (up 6.7% from the previous fiscal year). The primary factors were income of 9.250 billion yen from long-term loans payable and income of 983 million yen from issue of bonds. At the same time there was an expenditure of 4.816 billion yen for repayment of long-term loans payable and an expenditure of 805 million yen for redemption of bonds.

(4) Future forecast information

Future forecasts expect further growth in demand for the rental conference rooms and banquet facilities operated by the TKP Group as a result of continuing pressure on the labor supply, more active hiring of recent graduates, and increases in employee training.

Under these conditions, the TKP Group will take action including the following.

[1] Active opening of conference rooms and banquet facilities not only in office buildings but also possibly in commercial facilities

[2] Bringing in-house peripheral services that enable the user of conference rooms and banquet facilities in a broad range, and utilizing alliances to incorporate high added-value content

[3] Expansion of the sales system in order to increase repeated use by corporate customers and capture corporate events throughout the year

As a result, for the results of the fiscal year ending February 28, 2019, we are forecasting sales of 34.550 billion yen (up 20.4% from the previous fiscal year), operating income of 4.004 billion yen (up 16.1%), ordinary income of 3.729 billion yen (up 16.5%), and net income attributable to owners of the parent of 2.120 billion yen (up 2.4% (see note)).

Note: The reasons that the 2.4% increase in net income attributable to owners of the parent from the previous fiscal year is lower than the growth in other income categories is due to the effects from 487 million yen in income resulting from sale of fixed assets in the year ended February 28, 2018.

The above results forecast was created based on the available information on the date these materials were released, and there is the possibility that results may differ from the forecast values as a result of a variety of factors in the future.

(5) Basic policy concerning distribution of profits, and dividends for the current and following fiscal year

The TKP Group is currently in the advance investment stage, and from the perspective of securing the funds necessary to increase the pace of operations and expand the scale of our business, our policy at present is to not pay dividends and instead to retain profits within the Group and invest the funds necessary for business growth. Based on this policy, our company has not paid dividends at any time since our founding. However we recognize that return of profits to our shareholders is an important business issue and will study the possibility of paying dividends based on overall consideration of business results and the financial position.

2. Basic approach to selection of accounting standards

The TKP Group creates financial statements based on Japan standards. This decision was made in consideration of issues such as the burden involved in preparing a system for creation of consolidated financial statements based on international accounting standards.

3. Consolidated financial statements and primary notes

(1) Consolidated balance sheet

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2017)	Current consolidated fiscal year (ended Feb. 28, 2018)
Assets		
Current assets		
Cash and savings	5, 494	5, 706
Accounts receivable	2, 165	2, 879
Deferred tax assets	119	228
Others	722	924
Allowance for doubtful accounts	(12)	(23)
Total current assets	8, 489	9, 715
Fixed assets		
Tangible fixed assets		
Buildings and structures	4, 035	5, 551
Land	6, 507	8, 356
Construction in progress	90	2, 804
Tools, furniture and fixtures	125	264
Other	63	44
Total tangible fixed assets	10, 822	17, 021
Intangible fixed assets	64	273
Investments and other assets		
Investment securities	539	1, 536
Long-term loans receivable	70	193
Lease and guarantee deposits	4, 021	4, 983
Deferred tax assets	133	259
Others	33	547
Allowance for doubtful accounts	(34)	—
Total investments and other assets	4, 763	7, 521
Total tangible fixed assets	15, 650	24, 815
Total assets	24, 140	34, 530

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2017)	Current consolidated fiscal year (ended Feb. 28, 2018)
Liabilities		
Current liabilities		
Accounts payable	400	591
Income taxes payable	681	1, 123
Current portion of bonds	770	840
Current portion of long-term loans payable	1, 903	3, 154
Others	1, 528	2, 261
Total current liabilities	5, 284	7, 971
Fixed liabilities		
Bonds	3, 571	3, 696
Long-term loans payable	10, 363	13, 668
Asset retirement obligations	263	320
Others	187	218
Total fixed liabilities	14, 385	17, 904
Total liabilities	19, 669	25, 875
Net assets		
Shareholders' equity		
Capital	287	287
Capital surplus	242	2, 302
Retained earnings	3, 927	5, 998
Treasury stock	(110)	(17)
Total shareholders' equity	4, 346	8, 571
Total accumulated other comprehensive income		
Net unrealized holding gains on securities	47	8
Deferred gains (losses) on hedging instruments	(13)	(7)
Foreign currency translation adjustment	47	34
Total accumulated other comprehensive income	80	34
Stock option	—	5
Non-controlling interests	42	43
Total net assets	4, 470	8, 655
Total net assets and liabilities	24, 140	34, 530

(2) Profit and loss statement and consolidated statement of comprehensive income

(Profit and loss statement)

(Units: Millions yen)

	Previous consolidated fiscal year (March 1, 2016 – Feb. 28, 2017)	Current consolidated fiscal year (March 1, 2017 – Feb. 28, 2018)
Sales	21, 978	28, 689
Cost of sales	13, 707	17, 738
Gross profit on sales	8, 271	10, 950
Sales, general and administrative expenses	5, 576	7, 501
Operating income	2, 694	3, 449
Non-operating income		
Interest income	2	1
Dividend income	5	6
Foreign exchange gain	2	4
Subsidy income	10	4
Gain from forgiveness of debt	17	—
Reversal of allowance for doubtful	3	34
Fee received	—	20
Other	20	21
Total non-operating income	62	92
Non-operating expenses		
Interest paid	117	144
Commissions paid	8	144
Guarantee commission	15	21
Bond issue expense	46	16
Others	16	15
Total non-operating expenses	204	341
Ordinary income	2, 552	3, 200
Extraordinary gains		
Profit from sales of fixed asset	—	487
Total extraordinary gains	—	487
Extraordinary losses		
Loss from disposal of fixed asset	—	203
Impairment loss	191	91
Total extraordinary losses	191	295
Net income before income taxes	2, 360	3, 392
Income taxes – current	1, 066	1, 542
Income taxes – deferred	(54)	(220)
Total income taxes	1, 011	1, 321
Net income	1, 348	2, 071
Net income (loss) attributable to non-controlling interests	(3)	0
Net income attributable to owners of the parent	1, 352	2, 071

(4) Consolidated statement of cash flow

(Units: Millions yen)

	Previous consolidated fiscal year (March 1, 2016 – Feb. 28, 2017)	Current consolidated fiscal year (March 1, 2017 – Feb. 28, 2018)
Cash flows from operating activities		
Net income before income taxes	2, 360	3, 392
Depreciation	440	635
(Profit) loss from sales of fixed asset	—	(487)
(Profit) loss from disposal of fixed asset)	—	203
Impairment loss	191	91
Increase (decrease) in allowance for doubtful accounts	5	(22)
Bond issue expense	46	16
Interest and dividends received	(8)	(8)
Interest paid	117	144
Increase (decrease) in accounts receivable	(593)	(637)
Increase (decrease) in inventory assets	(6)	(27)
Increase (decrease) in accounts payable – trade	(110)	(601)
Increase (decrease) in accounts payable – other	(22)	70
Increase (decrease) in accrued expenses	139	304
Increase (decrease) in advances received	48	155
Impairment loss	7	87
Others	(105)	(24)
Subtotal	2, 510	3, 292
Interest and dividends received	8	8
Interest paid	(118)	(144)
Income taxes paid	(1, 303)	(1, 161)
Cash flow from operating activities	1, 096	1, 995
Cash flow from investing activities		
Expenditures for acquisition of tangible fixed assets	(6, 769)	(9, 498)
Income from sales of tangible fixed asset	—	3, 130
Expenditures for acquisition of intangible fixed assets	(31)	(83)
Income from acquisition of subsidiary regarding a change of consolidated group	—	15
Expenditures for acquisition of investment securities	(400)	(1, 058)
Expenditure of long-term loan receivable	—	(178)
Income from collection of long-term loans payable	16	43
Expenditure for payment of lease and guarantee deposits	(776)	(983)
Income from collection of lease and guarantee deposits	252	67
Expenditure for execution of asset retirement obligation	(2)	(7)
Others	6	36
Cash flow from investing activities	(7, 705)	(8, 515)
Cash flow from financing activities		
Income from short-term loans payable	200	3, 300
Expenditures for repayment of short-term loans payable	(210)	(3, 300)
Income from long-term loans payable	6, 737	9, 250
Expenditures for repayment of long-term loans payable	(1, 490)	(4, 816)
Income from issue of bonds	1, 853	983
Expenditures for redemption of bonds	(780)	(805)
Expenditures for payment of lease obligations	(27)	(29)
Income from sales of treasury stock	—	2, 153
Income from issue of stock to non-controlling interests	28	—
Other income	—	0
Cash flow from financing activities	6, 310	6, 735
Effect of exchange rate on cash and cash equivalents	(7)	(3)
Increase (decrease) in cash and cash equivalents	(305)	211

Balance of cash and cash equivalents at start of year	5, 799	5, 494
Balance of cash and cash equivalents at end of year	5, 494	5, 706