



Summary of Earnings Report for the 2nd quarter of Fiscal Year Ending February 28, 2018

Oct. 13 2017

Name of listed company: TKP Corporation Tokyo Stock Exchange
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 Additional material of financial result: Yes
 Result meeting: Yes

(Millions yen, rounded down)

1. Consolidated Results for the 2nd quarter of Fiscal Year Ending February 28, 2018 (March 1, 2017–Aug. 31, 2017)

(1) Consolidated business results

(%: Quarter-on-quarter comparison)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
2 nd quarter year ending Feb. 2018	13,983	—	2,298	—	2,116	—	1,554	—
2 nd quarter year ended Feb. 2017	—	—	—	—	—	—	—	—

(Note) Comprehensive income 2nd quarter year ending Feb. 2018 1,559 Millions yen (–%) 2nd quarter year ended Feb. 2017 — Millions yen (–%)

	Net income per share	Diluted net income per share
2 nd quarter year ending Feb. 2018	¥ 48.32	¥ 47.56
2 nd quarter year ended Feb. 2017	—	—

(2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio	Net Asset per Share
2 nd quarter year ending Feb. 2018	¥ millions 27,878	¥ millions 8,185	% 29.2	Yen 249.63
Year ended Feb. 2017	24,140	4,470	18.3	148.08

(Notes) Shareholders' equity 2nd quarter year ending Feb. 2018 8,139 Millions yen Year ended Feb. 2017 4,427 Millions yen

2 Dividend information

	Dividend per Share				
	1Q	2Q	3Q	4Q	Total
Year ended Feb. 2017	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Year ending Feb. 2018	—	0.00	—	—	—
Year ending Feb. 2018 (forecast)	—	—	—	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
Full year	26,839	22.1	3,271	21.4	3,021	18.4	1,705	26.1	374.00

Note: Revision to most recently announced results forecast: None

The figures (forecasts) for net income per share for the full year were calculated based on the average number of issued shares during the period, with consideration for the sale of treasury stock (310,000 shares) resulting from public offering related to the new exchange listing, and for the sale of treasury stock (76,300 shares) resulting from third-party allocation related to secondary offering by way of over-allotment.

(4) Total number of shares issued (ordinary shares)

① Number of shares issued at year end (inc. treasury stock)	1Q of year ending Feb. 2018	4,730,000 shares	Year ended Feb. 2017	4,730,000 shares
② Treasury stock at year end	1Q of year ending Feb. 2018	72,100 shares	Year ended Feb. 2017	458,400 shares
③ Average number of shares during current quarter	1Q of year ending Feb. 2018	4,534,786 shares	1Q of year ended Feb. 2017	4,271,600 shares

Note: On January 14, 2017, our company conducted a 100:1 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.

(Additional information regarding 2nd quarter result and result meeting)

On October 19, 2017 (Thursday), our company is planning to hold an explanation meeting for institutional investors and analysts.

The circumstances and explanation contents (audio) will be made available on our website together with materials explaining the financial statements promptly after the meeting.

1. Qualitative information concerning the quarterly results

(1) Explanation of business results

Backed by companies' active recruitment of new graduates and the shifting of part-time workers to full-time employees as a result of pressure on supply in the labor market, the environment surrounding the TKP Group has seen strong demand for our company's conference rooms as a result of growing needs for employee training and other purposes. The improvement in our business results has also led to greater use of our conference rooms in the high-price ranges, as well as growing demand for our accommodation-type training facilities.

Under these conditions, the TKP Group became listed on the Mothers market at the Tokyo Stock Exchange on March 27, 2017.

Primary openings of new facilities during this second quarter were the renovated August opening of Lectore Atami Momoyama and Lectore Hakone Goura resort-type training facilities, and the new August opening of Kizuna Susukino S4, a directly-operated restaurant in Sapporo.

As a result, the number of rental conference rooms operated by the TKP Group at the end of this consolidated second quarter was 1,813 (up 3.5% from the end of the previous fiscal year), centering primarily on major cities across Japan.

As described above, we succeeded in actively acquiring growing corporate demand and accelerating the opening of new facilities. As a result, the results for this second quarter were sales of 13.983 billion yen, operating income of 2.298 billion yen, ordinary income of 2.116 billion yen, and net income attributable to owners of the parent of 1.554 billion yen.

Because this is the only segment of our space regeneration & distribution business, the explanation of results by segment will be omitted.

(2) Explanation of the financial position

[1] Assets, liabilities, and net assets

(Current assets)

Current assets at the end of this consolidated second quarter increased by 3.145 billion yen from the end of the previous consolidated fiscal year to reach 11.634 billion yen. The primary reason for the increase was an increase in cash and savings of 2.556 billion yen.

(Fixed assets)

Fixed assets at the end of this consolidated second quarter increased by 592 million yen from the end of the previous consolidated fiscal year to reach 16.243 billion yen. The primary reasons for the increase were an increase of 583 million yen in buildings and structures, an increase of 511 million yen in lease and guarantee deposits, and an increase of 1.831 billion yen in construction in process that is categorized under other tangible fixed assets. At the same time, there was a decrease of 2.566 billion yen in land.

(Current liabilities)

Current liabilities at the end of this consolidated second quarter increased by 1.707 billion yen from the end of the previous consolidated fiscal year to reach 6.991 billion yen. The primary reasons for the increase were an increase of 255 million yen in the current portion of long-term loans payable and an increase of 460 million yen in income taxes payable.

(Fixed liabilities)

Current liabilities at the end of this consolidated second quarter decreased by 1.683 billion yen from the end of the previous consolidated fiscal year to reach 12.701 billion yen. The primary reason for the decrease was a decrease of 2.226 billion yen in long-term loans payable, while at the same time there was an increase of 544 million yen in bonds.

(Net assets)

Net assets at the end of this consolidated second quarter increased by 3.715 billion yen from the end of the previous consolidated fiscal year to reach 8.185 billion yen. The primary reasons for the increase were an increase of 2.060 billion yen in capital surplus and an increase of 1.554 billion yen in retained earnings.

[2] Status of cash flows

Cash and cash equivalents (hereafter referred to as “funds”) at the end of this consolidated second quarter increased by 2.556 billion from the end of the previous consolidated fiscal year to reach 8.051 billion yen.

The status of each cash flow at the end of the consolidated second quarter and the primary factors affecting them are as follows.

(Cash flow from operating activities)

Net funds acquired through operating activities were 1.288 billion yen. The primary factors were 2.603 billion yen in net income before income taxes and 625 million yen in income taxes paid.

(Cash flow from investing activities)

Net funds acquired through investing activities were 511 million yen. The primary factors were an expenditure of 2.019 billion yen for acquisition of tangible fixed assets and an expenditure of 563 million yen in payments for lease and guarantee deposits. Offsetting this were income of 41 million yen from recovery of long-term loans receivable, income of 51 million yen from recovery of lease and guarantee deposits, and income of 3.069 billion yen from sale of tangible fixed assets.

(Cash flow from financing activities)

Net funds acquired through financing activities were 766 million yen. The primary factors were an income of 1.600 billion yen from long-term loans payable, income of 983 million yen from issue of bonds, and income of 2.153 billion yen from sale of treasury stock. At the same time, there was also an expenditure of 3.571 billion yen for repayment of long-term loans payable and an expenditure of 385 million yen for redemption of bonds.

(3) Explanation of consolidated results forecast and other future forecast information.

The consolidated results forecast is presently under examination and any necessary changes will be promptly announced.

2. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheet

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2017)	Current consolidated 2Q (ended Aug 31, 2017)
Assets		
Current assets		
Cash and savings	5,494	8,051
Accounts receivable	2,165	2,188
Others	841	1,405
Allowance for doubtful accounts	Δ12	Δ10
Total current assets	8,489	11,634
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	4,035	4,619
Land	6,507	3,941
Others (net)	279	2,275
Total tangible fixed assets	10,822	10,836
Intangible fixed assets	64	126
Investments and other assets		
Lease and guarantee deposits	4,021	4,532
Others	776	747
Allowance for doubtful accounts	Δ34	—
Total investments and other assets	4,763	5,280
Total tangible fixed assets	15,650	16,243
Total assets	24,140	27,878
Liabilities		
Current liabilities		
Accounts payable	400	447
Income taxes payable	681	1,141
Current portion of bonds	770	840
Current portion of long-term loans payable	1,903	2,158
Others	1,528	2,403
Total current liabilities	5,284	6,991
Fixed liabilities		
Bonds	3,571	4,116
Long-term loans payable	10,363	8,136
Asset retirement obligations	263	272
Others	187	176
Total fixed liabilities	14,385	12,701
Total liabilities	19,669	19,693

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2017)	Current consolidated 2Q (ended Aug 31, 2017)
Net assets		
Shareholders' equity		
Capital	287	287
Capital surplus	242	2,302
Retained earnings	3,927	5,482
Treasury stock	Δ110	Δ17
Total shareholders' equity	4,346	8,055
Total accumulated other comprehensive income		
Net unrealized holding gains on securities	47	58
Deferred gains (losses) on hedging instruments	Δ13	Δ10
Foreign currency translation adjustment	47	36
Total accumulated other comprehensive income	80	84
Stock option	—	1
Non-controlling interest	42	44
Total net assets	4,470	8,185
Total net assets and liabilities	24,140	27,878

(2) Quarterly profit and loss statement and quarterly consolidated statement of comprehensive income
 (Quarterly profit and loss statement)
 (Consolidated 2Q)

(Units: Millions yen)

	Current consolidated 2Q (March 1, 2017 – Aug 31, 2017)
Sales	13,983
Cost of sales	8,345
Gross profit on sales	5,638
Sales, general and administrative expenses	3,339
Operating income	2,298
Non-operating income	
Interest income	1
Dividend income	4
Compensation income	36
Others	14
Total non-operating income	56
Non-operating expenses	
Interest paid	74
Commissions paid	125
Others	38
Total non-operating expenses	239
Ordinary income	2,116
Extraordinary profit	
Profit from sales of fixed asset	487
Total extraordinary profit	487
Net income before income taxes	2,603
Income taxes – current	1,044
Income taxes – deferred	2
Total income taxes	1,047
Net income	1,556
Net income (loss) attributable to non-controlling interests	1
Net income attributable to owners of the parent	1,554

(4) Consolidated Statement of Cash Flows

(Units: Millions yen)

	Current consolidated fiscal year (March 1, 2017 – Aug.31, 2017)
Cash flows from operating activities	
Net income before income taxes	2,603
Depreciation	268
Impairment loss	Δ487
Increase (decrease) in allowance for doubtful account	Δ36
Increase (decrease) in allowance for bonus payment	49
Bond issue expense	16
Interest and dividends received	Δ5
Interest paid	74
Increase (decrease) in accounts receivable	Δ23
Increase (decrease) in inventory assets	Δ23
Increase (decrease) in accounts payable – trade	Δ503
Increase (decrease) in accounts payable – other	47
Increase (decrease) in payable	Δ338
Increase (decrease) in accrued expenses	87
Increase (decrease) in advances received	87
Others	168
Subtotal	1,983
Interest and dividends received	5
Interest paid	Δ75
Income taxes paid	Δ625
Cash flow from operating activities	1,288
Cash flow from investing activities	
Expenditure for execution of asset related liabilities	Δ4
Expenditures for acquisition of tangible fixed assets	Δ2,019
Expenditures for sale of tangible fixed assets	3,069
Expenditures for acquisition of intangible fixed asset	Δ56
Expenditure of acquisition of subsidiary	Δ5
Income from collection of long-term loans payable	41
Income for execution of asset retirement obligation	Δ563
Expenditure for execution of asset retirement obligation	51
Others	Δ0
Cash flow from investing activities	511
Cash flow from financing activities	
Income from short-term loans payable	1,800
Expenditures for repayment of short-term loans payable	Δ1,800
Income from long-term loans payable	1,600
Expenditures for repayment of long-term loans payable	Δ3,571
Income from issue of bonds	983
Expenditures for redemption of bonds	Δ385
Expenditures for payment of lease obligations	2,153
Income from issue of stock to non-controlling interests	Δ14
Cash flow from financing activities	766
Effect of exchange rate on cash and cash equivalents	Δ9
Increase (decrease) in cash and cash equivalents	2,556
Balance of cash and cash equivalents at start of year	5,494
Balance of cash and cash equivalents at end of year	8,051