



# Summary of Earnings Report for the 2nd quarter of Fiscal Year Ending February 28, 2019

October 15, 2018

Name of listed company TKP Corporation Tokyo Stock Exchange  
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 Scheduled date of filing: October 15, 2018 Scheduled date of dividend payment —  
 Additional material of financial result: Yes  
 Result meeting: Yes (for analyst and institutional investors)

(Millions yen, rounded down)

## 1. Consolidated Results for the 2nd quarter of Fiscal Year Ending February 28, 2019 (March 1, 2018–Aug. 31, 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	%
2nd quarter year ending Feb. 2019	17,610	25.9	2,583	12.4	2,450	15.8	596	(61.6)
2nd quarter year ended Feb. 2018	13,983	—	2,298	—	2,116	—	1,554	—

(Note) Comprehensive income 2nd quarter year ending Feb. 2019 680 Millions yen (56.3%) 2nd quarter year ended Feb. 2018 1,559 Millions yen (—%)

	Net income per share	Diluted net income per share
	¥	¥
2nd quarter year ending Feb. 2019	18.29	17.88
2nd quarter year ended Feb. 2018	48.32	47.56

### (2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
2nd quarter year ending Feb. 2019	41,679	9,339	22.3
Year ended Feb. 2018	34,530	8,655	24.9

(Notes) Shareholders' equity 2nd quarter year ending Feb. 2019 9,286 Millions yen Year ended Feb. 2018 8,606 Millions yen

## 2 Dividend information

	Dividend per Share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Feb. 2018	—	0.00	—	0.00	0.00
Year ending Feb. 2019	—				
Year ending Feb. 2019 (forecast))		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	%	¥ millions	%	Yen
Full year	34,550	20.4	4,004	16.1	3,729	16.5	1,300	(37.2)	39.87

Total number of shares issued (ordinary shares)

① Number of shares issued at year end (inc. treasury stock)	2Q of year ending Feb. 2019	33,110,000 shares	Year ended Feb. 2018	33,110,000 shares
② Treasury stock at year end	2Q of year ending Feb. 2019	504,700 shares	Year ended Feb. 2018	504,700 shares
③ Average number of shares during current quarter	2Q of year ending Feb. 2019	32,605,300 shares	2Q of year ended Feb. 2019	32,174,401 shares

## 1. Qualitative information concerning the quarterly results

### (1) Explanation of business results

During the consolidated first two quarters (March 1, 2018 – August 31, 2018), the environment surrounding the TKP Group saw a large increase in demand for the rental conference rooms and banquet facilities which our Group operates. This increase was driven by growing demand for employee training and related matters as companies are actively recruiting new employees. This is the result of pressure on supply in the labor market that can be seen in the high openings-to-applications ratio. Improved corporate performance has also led to greater use of our high-quality facilities, and there was continued growing demand for our highest-quality grade Garden City PREMIUM.

Under these conditions, the TKP Group opened the TKP Garden City Osaka Riverside Hotel in June 2018, and TKP Garden City PREMIUM Yokohama Nishiguchi” in July 2018. We also opened the APA Hotel <TKP Keikyu-Kawasaki Ekimae> in June 2018.

※New facilities opened during 2nd quarter are as follows

Period	Open	Name of Facilities	Object	Area
2Q (June –August 2018)	June	TKP Garden City Osaka Riverside Hotel	Hotel banquet hall, meeting room	Osaka
	June	APA Hotel (TKP Keikyu Kawasaki Ekimae)	Business Hotel	Kanagawa
	July	TKP Garden City PREMIUM Yokohama Nishiguchi	Hotel banquet hall, meeting room	Kanagawa
	August	TKP Sapporo Minamiguchi Conference Center	Hotel banquet hall, meeting room	Hokkaido

As a result of the above, at the end of this consolidated 2nd quarter the TKP Group was operating a total of 2,019 conference rooms and banquet facilities (up 8.7% from the end of the previous fiscal year) centered in major cities across Japan.

As a result, the business results for the consolidated first two quarters were higher than the same period in the previous fiscal year. The results were sales of 17.610 billion yen (up 25.9% year-on-year), operating income of 2.583 billion yen (up 12.4% year-on-year), and ordinary income of 2.450 billion yen (up 15.8% year-on-year). However as a result of a loss on valuation of investment securities of 821 million yen, net income attributable to owners of the parent was 596 million yen (down 61.6% year-on-year).

### (2) Explanation of the financial position

#### (Current assets)

Current assets at the end of this consolidated second quarter increased by 4.807 billion yen from the end of the previous consolidated fiscal year to reach 14.522 billion yen. The primary reasons for the increase were a cash flow from operating activities of 2.028 billion yen and an increase in cash and savings of 4.936 billion yen resulting from issuing corporate bonds and other means.

#### (Fixed assets)

Fixed assets at the end of this consolidated second quarter increased by 2.340 billion yen from the end of the previous consolidated fiscal year to reach 27.156 billion yen. The primary reasons for the increase were an increase in buildings and structures of 1.824 billion yen and an increase in lease and guarantee deposits of 626 million yen.

#### (Current liabilities)

Current liabilities at the end of this consolidated second quarter increased by 681 million yen from the end of the previous consolidated fiscal year to reach 8.652 billion yen. The primary reasons for the increase were an increase in the current portion of bonds of 250 million yen and an increase in the current portion of long-term loans payable of 375 million yen.

#### (Fixed liabilities)

Fixed liabilities at the end of this consolidated second quarter increased by 5.782 billion yen from the end of the previous consolidated fiscal year to reach 23.686 billion yen. The primary reasons for the increase were an increase in bonds of 2.329 billion yen and an increase in long-term loans payable of 3.356 billion yen.

#### (Net assets)

Net assets at the end of this consolidated second quarter increased by 684 million yen from the end of the previous consolidated fiscal year to reach 9.339 billion yen. The primary reason for the increase was an increase in retained earnings of 596 million yen.

### (3) Explanation of the cash flow

The balance of cash and cash equivalents (hereafter referred to as “cash”) at the end of this consolidated second quarter increased by 4.936 billion yen from the end of the previous consolidated fiscal year to reach 10.642 billion yen.

The status of each cash flow during this consolidated second quarter and the primary factors behind the results are as follows.

#### (Cash flow from operating activities)

Net cash obtained from operating activities was 2.028 billion yen (up 57.4% year-on-year). The primary factors were net income before income taxes of 1.628 billion yen, adjustments to non-cash items of 1.189 billion yen, a decrease in sales credits of 285 million yen, an increase in accounts payable of 75 million yen, and payment of 1.037 billion yen in income taxes.

#### (Cash flow from investing activities)

Net cash expended in investment activities was 3.859 billion yen (compared to income of 511 million yen in the same period of the previous year). The primary factors were an expenditure of 3.130 billion yen for acquisition of tangible fixed assets and an expenditure of 750 million yen for payment of lease and guarantee deposits.

#### (Cash flow from financing activities)

Net cash obtained from financing activities was 6.771 billion yen (up 783.5% year-on-year). The primary factors were income of 5.883 billion yen from long-term loans, income of 2.953 billion yen from issue of bonds, expenditure of 1.642 billion yen for repayment of long-term loans, and expenditure of 420 million yen for redemption of bonds.

### (4) Future forecast information

Based on the results from the cumulative first two quarters of this fiscal year, the forecast for the results of the full year ending February 28, 2019 has been revised downwards. For details, refer to “Notice of Difference Between the Results Forecast and Actual Results for the Consolidated First Two Quarters of FY 2019, and Notice of Correction to the Full Year Forecast” that was released on October 15, 2018.

## 2. Quarterly consolidated financial statements and primary notes

### (1) Quarterly consolidated balance sheet

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2018)	Current consolidated 2Q (ended August 31, 2018)
<b>Assets</b>		
Current assets		
Cash and savings	5,706	10,642
Accounts receivable	2,879	2,591
Others	1,153	1,299
Allowance for doubtful accounts	(23)	(10)
<b>Total current assets</b>	<b>9,715</b>	<b>14,522</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,551	7,375
Land	8,356	8,003
Others (net)	3,113	3,905
<b>Total tangible fixed assets</b>	<b>17,021</b>	<b>19,284</b>
Intangible fixed assets	273	248
Investments and other assets		
Lease and guarantee deposits	4,983	5,610
Others	2,537	2,013
<b>Total investments and other assets</b>	<b>7,521</b>	<b>7,623</b>
<b>Total tangible fixed assets</b>	<b>24,815</b>	<b>27,156</b>
<b>Total assets</b>	<b>34,530</b>	<b>41,679</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	591	666
Income taxes payable	1,123	1,085
Current portion of bonds	840	1,090
Current portion of long-term loans payable	3,154	3,529
Others	2,261	2,280
<b>Total current liabilities</b>	<b>7,971</b>	<b>8,652</b>
Fixed liabilities		
Bonds	3,696	6,026
Long-term loans payable	13,668	17,025
Asset retirement obligations	320	405
Others	218	229
<b>Total fixed liabilities</b>	<b>17,904</b>	<b>23,686</b>
<b>Total liabilities</b>	<b>25,875</b>	<b>32,339</b>

(Units: Millions yen)

	Previous consolidated fiscal year (ended Feb. 2018)	Current consolidated 2Q (ended August 31, 2018)
Net assets		
Shareholders' equity		
Capital	287	287
Capital surplus	2,302	2,302
Retained earnings	5,998	6,594
Treasury stock	(17)	(17)
Total shareholders' equity	8,571	9,168
Total accumulated other comprehensive income		
Net unrealized holding gains on securities	8	117
Deferred gains (losses) on hedging instruments	(7)	(23)
Foreign currency translation adjustment	34	24
Total accumulated other comprehensive income	34	118
Stock Option	5	9
Non-controlling interest	43	43
Total net assets	8,655	9,339
Total net assets and liabilities	34,530	41,679

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

(Quarterly profit and loss statement)

(Consolidated 2Q)

(Units: Millions yen)

	Previous consolidated 2Q (March 1, 2017 – August 31, 2017)	Current consolidated 2Q (March 1, 2018 – August 31, 2018)
Sales	13,983	17,610
Cost of sales	8,345	10,449
Gross profit on sales	5,638	7,160
Sales, general and administrative expenses	3,339	4,576
Operating income	2,298	2,583
Non-operating income		
Dividend income	5	54
Reversal of allowance for doubtful	36	0
Others	14	41
Total non-operating income	56	96
Non-operating expenses		
Interest paid	74	89
Commissions paid	125	40
Issuance of corporate debt	16	46
Others	21	52
Total non-operating expenses	239	230
Ordinary income	2,116	2,450
Extraordinary profit		
Sales of fixed asset	487	—
Total extraordinary profit	487	—
Extraordinary loss		
Impairment loss of invested securities	—	821
Total extraordinary loss	—	821
Net income before income taxes	2,603	1,628
Income taxes – current	1,044	998
Income taxes – adjustment	2	33
Total income taxes	1,047	1,031
Net income	1,556	596
Net income (loss) attributable to non-controlling interests	1	0
Net income attributable to owners of the parent	1,554	596

## (3) Consolidated statement of cash flow

(Units: Millions yen)

	Previous consolidated 2Q (March 1, 2017 – August 31, 2017)	Current consolidated 2Q (March 1, 2018 – August 31, 2018)
<b>Cash flows from operating activities</b>		
Net income before income taxes	2,603	1,628
Depreciation	268	381
Impairment loss	(487)	—
Loss (profit) in invested securities	—	821
Increase (decrease) in allowance for doubtful account	(36)	(13)
Bond issue expense	16	46
Interest and dividends received	(5)	(54)
Interest paid	74	89
Decrease (increase) in accounts receivable	(23)	285
Decrease (increase) in advanced payment	(71)	(91)
Increase (decrease) in accounts payable – other	47	75
Increase (decrease) in payable	(338)	(3)
Increase (decrease) in accrued expenses	87	24
Increase (decrease) in advances received	87	64
Others	(238)	(154)
Subtotal	1,983	3,099
Interest and dividends received	5	54
Interest paid	(75)	(88)
Income taxes paid	(625)	(1,037)
<b>Cash flow from operating activities</b>	<b>1,288</b>	<b>2,028</b>
<b>Cash flow from investing activities</b>		
Expenditures for acquisition of tangible fixed assets	(2,019)	(3,130)
Expenditures for sale of tangible fixed assets	3,069	4
Expenditure of acquisition of subsidiary	(5)	—
Income from sales for changes in subsidiary	—	27
Expenditure for purchase of investing securities	—	(9)
Income for execution of asset retirement obligation	(563)	(750)
Expenditure for execution of asset retirement obligation	51	132
Others	(20)	(133)
<b>Cash flow from investing activities</b>	<b>511</b>	<b>(3,859)</b>
<b>Cash flow from financing activities</b>		
Income from short-term loans	1,600	5,883
Expenditures for repayment of long-term loans payable	(3,571)	(1,642)
Income from issue of bonds	983	2,953
Expenditures for redemption of bonds	(385)	(420)
Expenditures for payment of lease obligations	2,153	—
Income from issue of stock to non-controlling interests	(14)	(1)
<b>Cash flow from financing activities</b>	<b>766</b>	<b>6,771</b>
Effect of exchange rate on cash and cash equivalents	(9)	(4)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,556</b>	<b>4,936</b>
Balance of cash and cash equivalents at start of year	5,494	5,706
<b>Balance of cash and cash equivalents at end of year</b>	<b>8,051</b>	<b>10,642</b>