

Result meeting material for the 2Q of the year ending Feb. 2019

Oct. 16, 2018

TKP Corporation

TSE Mothers : 3479

<https://www.tkp.jp/>

Main topics for the 2Q of the
year ending Feb. 2019P 3

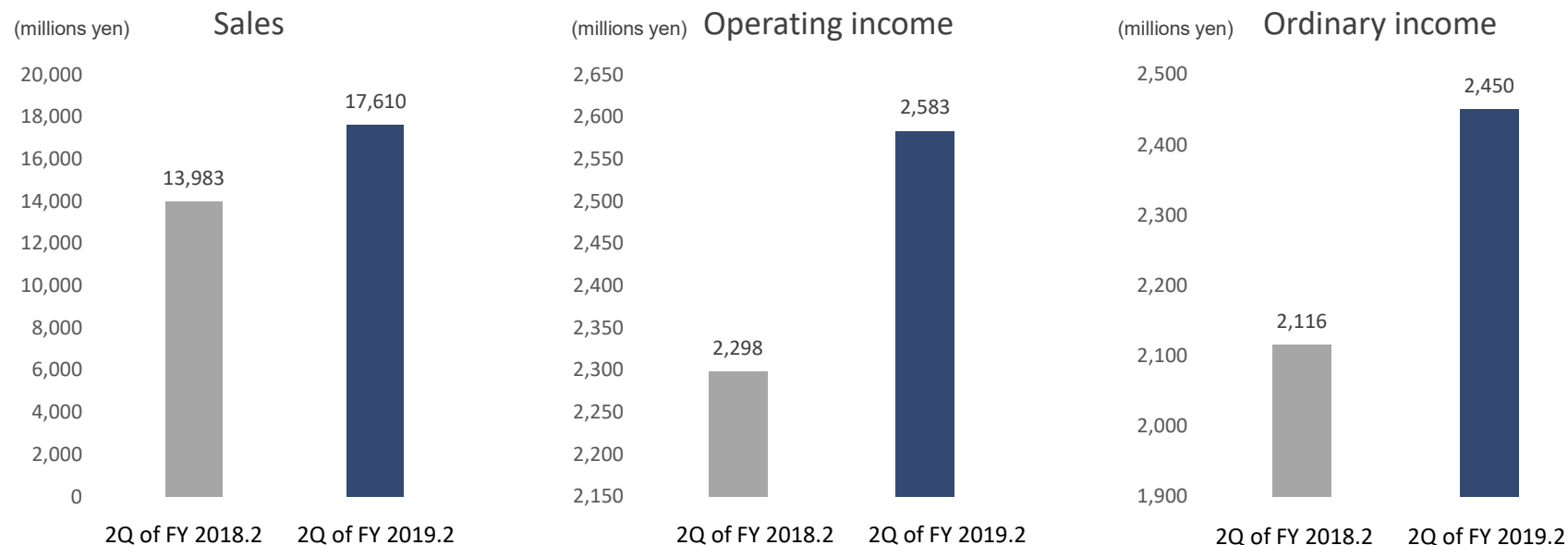
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Main topics for the 2Q of the year ending Feb. 2019

Overview of the 2Q of the year ending Feb. 2019 (consolidated)

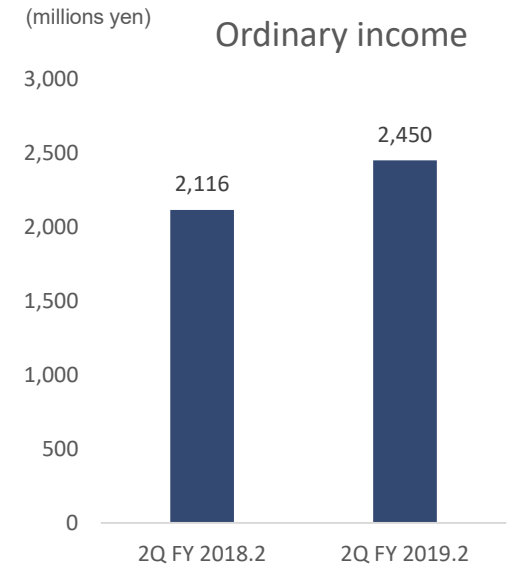
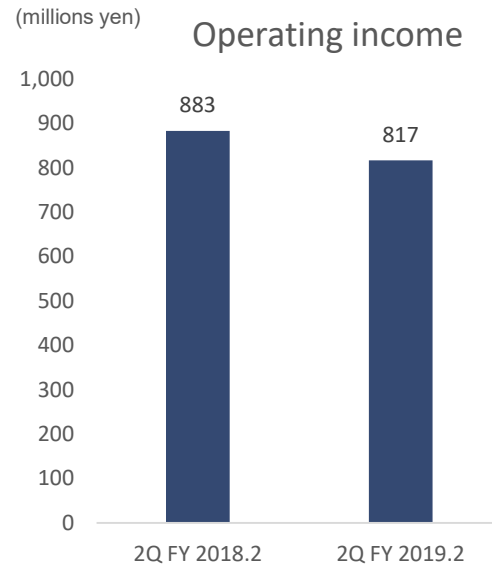
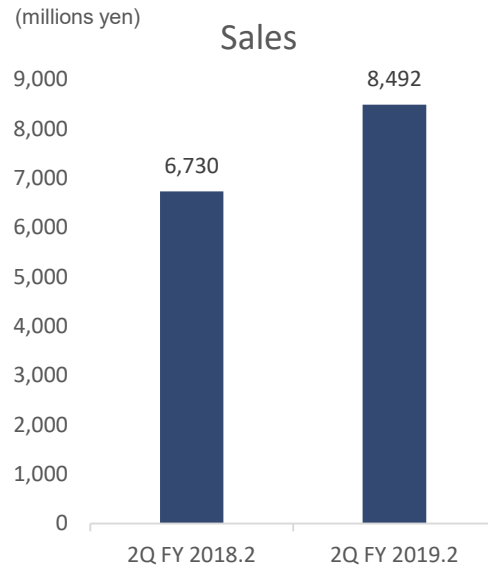
TKP set new records for sales, operating income, and ordinary income. However as a result of recording a loss on valuation of investment securities, we ended the quarter with net income of 596 million yen.



(millions yen)	2Q of FY 2018.2		2Q of FY 2019.2		YoY
	Amount	% to sales	Amount	% to sales	
Sales	13,983	100.0%	17,610	100.0%	125.9%
Gross Profit	5,638	40.3%	7,160	40.6%	126.9%
SG&A	3,339	23.8%	4,576	25.9%	137.0%
Operating income	2,298	16.4%	2,583	14.6%	112.4%
Ordinary income	2,116	15.1%	2,450	13.9%	115.7%
Net income	1,554	11.1%	596	3.3%	38.3%

Overview of the 2Q of the year ending Feb. 2019(Jun-Aug 2018,consolidated)

Although there was steady growth in sales, SG&A increased as a result of opening large high-grade facilities.



(millions yen)	2Q of FY 2018.2		2Q of FY 2019.2		YoY
	Amount	% to sales	Amount	% to sales	
Sales	6,730	100.0%	8,492	100.0%	126.1%
Gross Profit	2,512	37.3%	3,195	37.6%	127.1%
SG&A	1,628	24.1%	2,377	27.9%	146.0%
Operating income	883	13.1%	817	9.6%	92.5%
Ordinary income	868	12.8%	741	8.7%	85.3%
Net income	806	11.9%	△395	△4.6%	△49.0%

Correction of the results forecast for the year ending Feb. 2019

The forecast for net income in the full year has been revised due an 821 million yen loss on valuation of investment securities.

The forecasts for sales, operating income, and ordinary income remain unchanged.

(Million yen)	Consolidated s a l e s	Consolidated Operating Income	Consolidated Ordinary Income	N e t I n c o m e	Income per share
Previous forecast (A)	34,550	4,004	3,729	2,120	65.05
Current forecast (B)	34,550	4,004	3,729	1,300	39.87
Difference(B—A)	—	—	—	△820	
changes(%)	—	—	—	△38.7%	
(ref.) Actual figures (Feb. end 2018)	28,689	3,449	3,200	2,071	63.95

Trend of consolidated sales by grade

A large contribution to the growth in income was made by the top 3 grades centering on GCP, and by accommodation and training facilities.

(Millions yen)

20,000

18,000

16,000

14,000

12,000

10,000

8,000

6,000

4,000

2,000

0

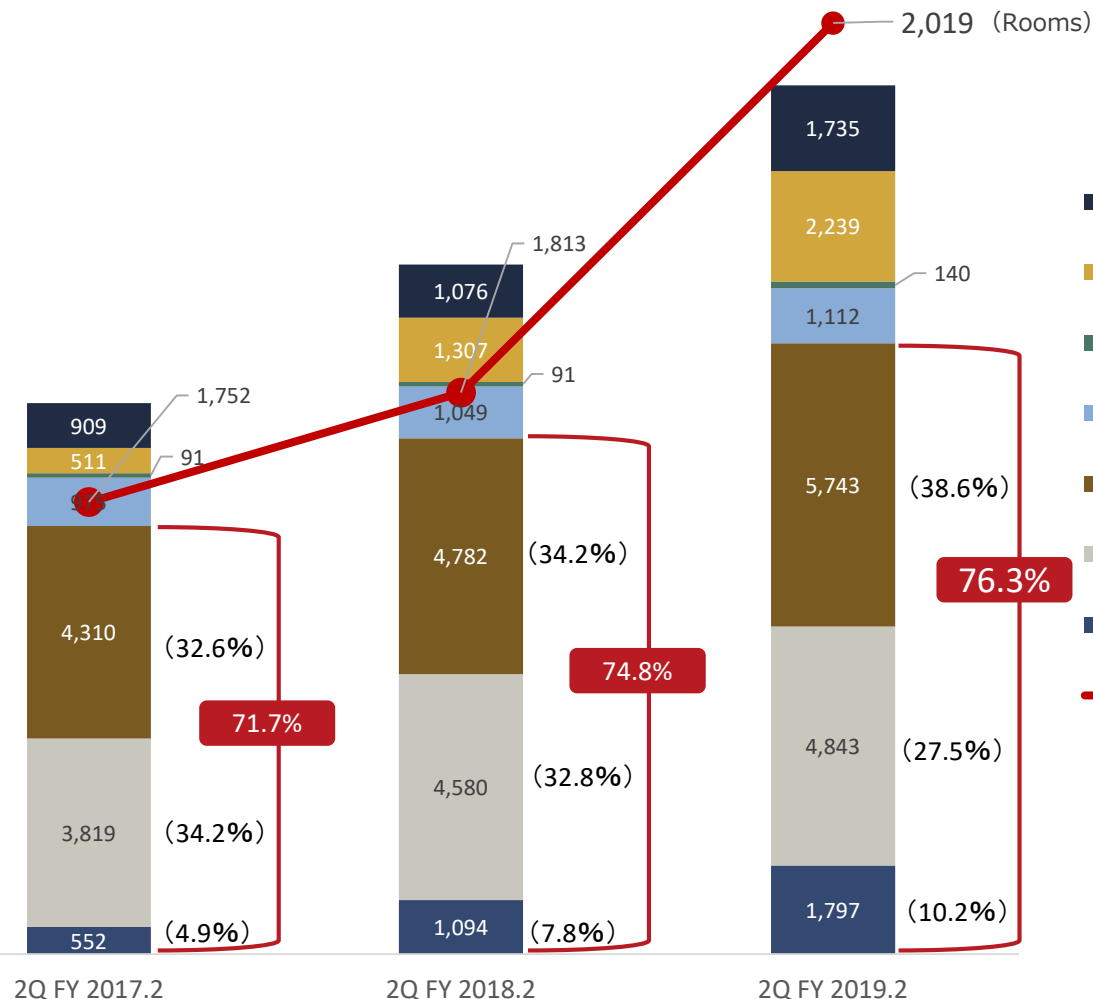
2Q FY 2017.2

2Q FY 2018.2

2Q FY 2019.2

2,019 (Rooms)

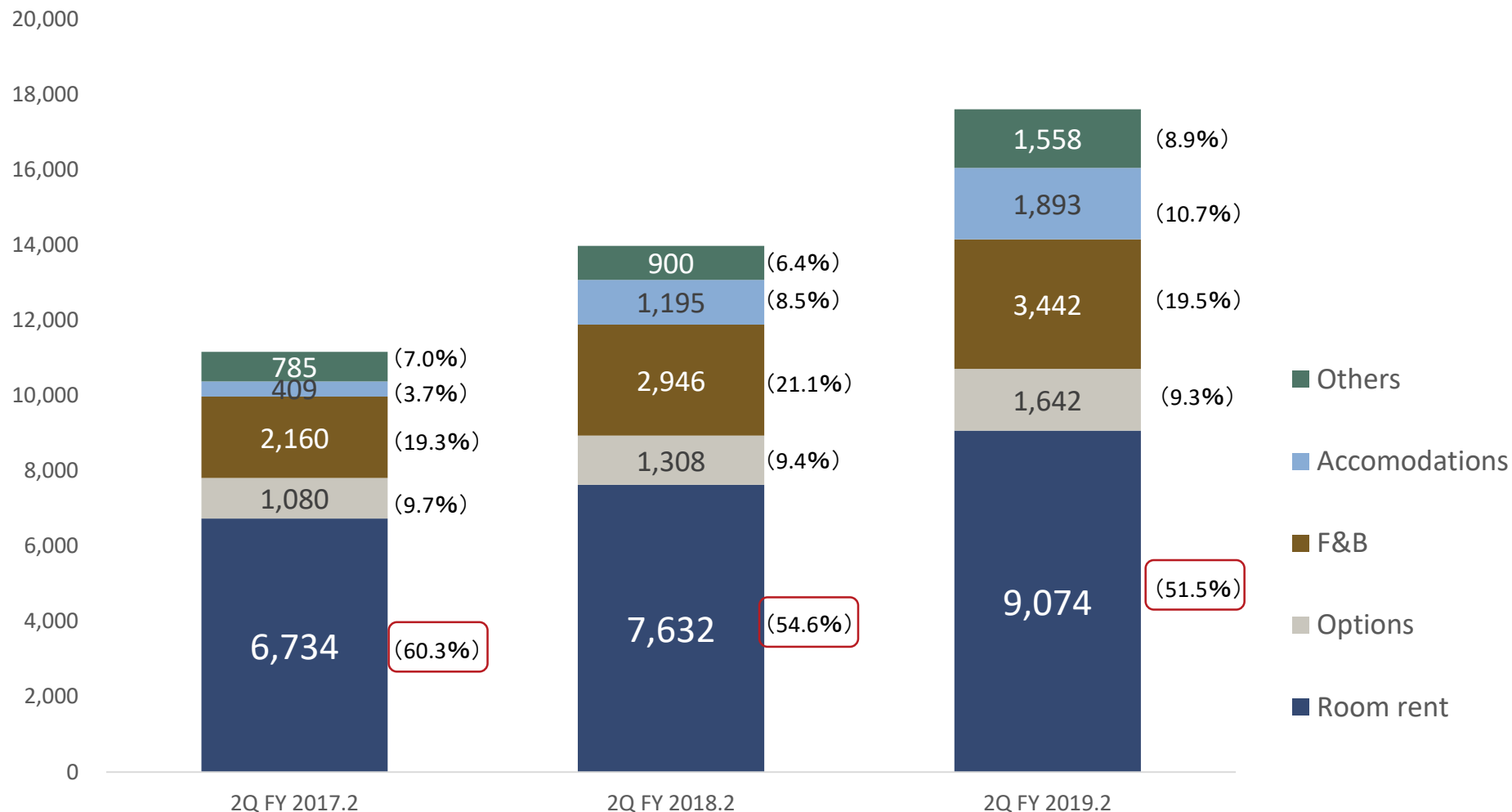
- Others
- Accommodation
- STAR rental conference
- rooms Business Center(BC)
- Conference Center(CC)
- Garden City(GC)
- Garden City PREMIUM(GCP)
- Total meeting rooms



Trend of consolidated sales by service

The sales mix also shows an increase in high added-value sales other than room rates.

(Millions yen)



New facilities opened in 2Q of FY 2019.2(Jun-Aug 2018)

TKP is continuing to open primarily high-grade facilities. In June we opened our fifth APA Hotel, which has maintained a high operating rate beginning from the first month.

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



TKP Sapporo Minamiguchi
Conference Center








TKP Garden City Osaka Riverside Hotel



TKP Garden City PREMIUM
Yokohama Nishiguchi

Locations and meeting rooms by grade

				Feb. 2016	Feb. 2017	Feb. 2018	Aug. 2018
High-price grades that include beverage sales		Garden City PREMIUM (GCP)	Rooms (Locations)	49 (5)	113 (11)	137 (13)	195 (17)
		Garden City (GC)	Rooms (Locations)	350 (29)	372 (32)	417 (39)	424 (43)
		Conference Center (CC)	Rooms (Locations)	712 (62)	796 (67)	881 (79)	931 (84)
Sub total			Rooms	1,111(72%)	1,281(73%)	1,435(77%)	1,550(77%)
Reasonable- price grades		Business Center (BC)	Rooms (Locations)	296 (50)	351 (53)	313 (49)	340 (51)
		Star Rental Conference Room	Rooms (Locations)	109 (36)	91 (41)	88 (38)	81 (39)
Sub total			Rooms	405(26%)	442(25%)	401(22%)	421(21%)
Training Center	Lectore, Ishinoya		Rooms	20	29	22	48
Total			Locations	182	204	218	234
			Rooms	1,536	1,752	1,858	2,019

Summary of consolidated balance sheet and statement of cash flows

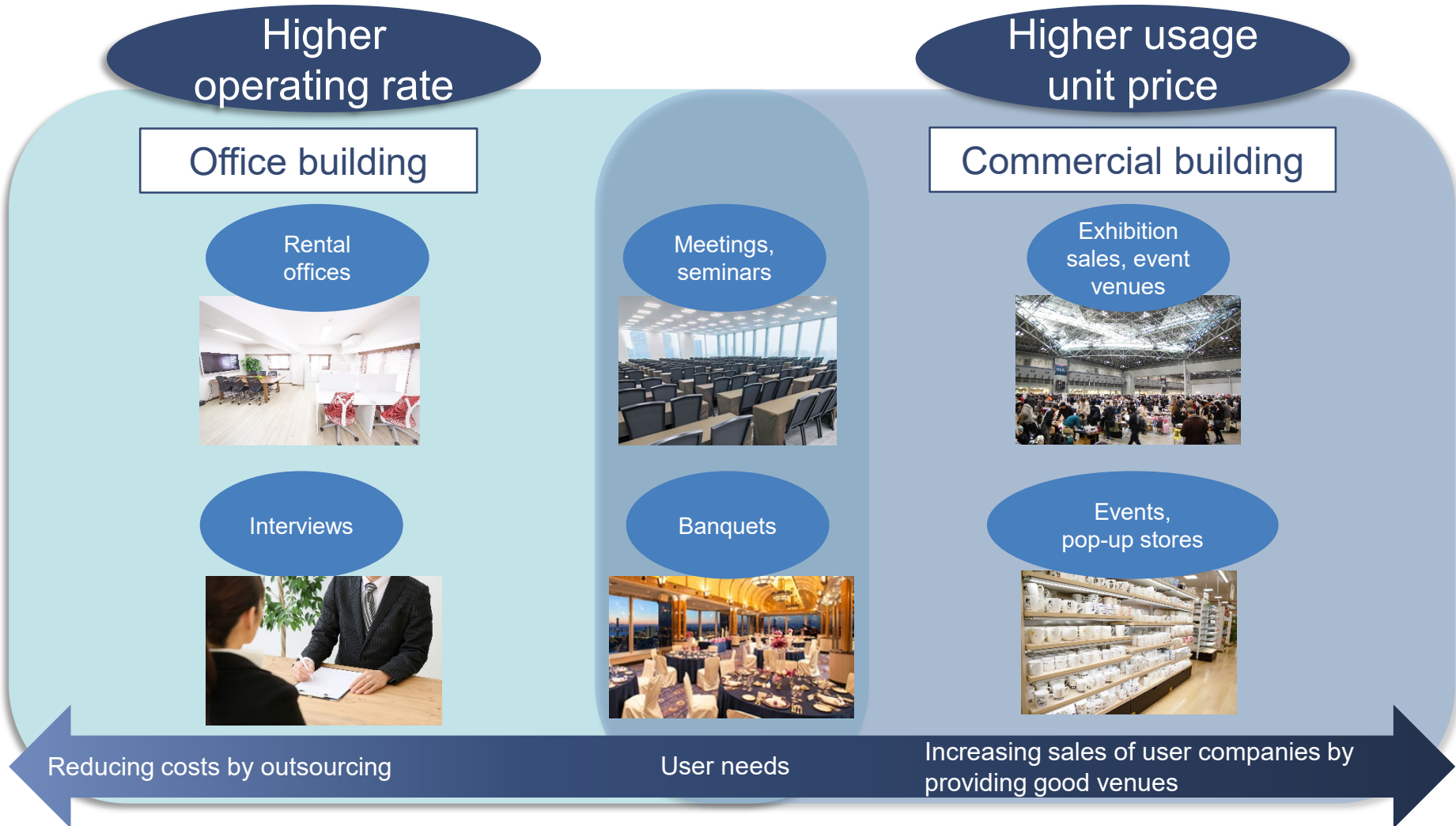
(Millions Yen)		Feb. end2018①	Feb. end2018②	(② – ①)
		Amount	Amount	YoY
	Current asset	9,715	14,523	4,808
	(Cash and savings)	5,706	10,643	4,937
	(Receivable)	2,880	2,591	(288)
	Fixed asset	24,816	27,156	2,341
	(tangible fixed asset)	17,021	19,285	2,264
	Total assets	34,531	41,679	7,148
	Current liabilities	7,971	8,653	682
	Fixed liabilities	17,904	23,687	5,782
	Total liabilities	25,876	32,339	6,464
	(debt)	21,360	27,671	6,312
	Total net assets	8,655	9,340	685
	Total liabilities and net assets	34,531	41,679	7,148

(Million yen)	2Q 2018
Cash flow from Operating activity	2,028
Cash flow from Investing activity	(3,859)
Cash flow from financing activity	6,771

Future Business Strategy

Future developments in the rental conference room and banquet facility business

The TKP office buildings and commercial buildings both contain the potential for growth.



Increasing the usage unit price (1)

Strengthening the opening of facilities in commercial buildings will open up possibilities for acquiring business for large-scale events.

Okayama



TKP Garden City Okayama
(NTT Credo Okayama Bldg)

Tokyo



CIRQ Shinjuku
(Otsuka Kagu Shinjuku show room)

Sapporo



Opening in Nov. 2018 (Name TBD)
(Marui Imai Sapporo Honten Minamikan)

Sendai



TKP Garden City PREMIUM Sendai Nishiguchi
(Otsuka Kagu Sendai show room)

Commercial buildings are able to hold events that involve sales.
TKP provides a high-grade site in a good location as the sales venue so that the customer can expect high sales.

Increasing the usage unit price (2)

By providing a Cloud-based event management system and TKP event planner to customer companies, we will aim to acquire large events at higher unit prices.

Simply select the checkboxes!

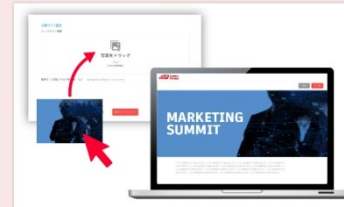
Easy form creation

- Application forms can be created easily just by selecting the checkboxes.



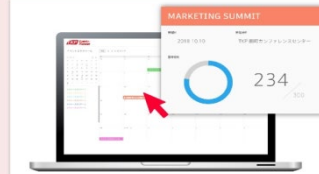
Easy creation of event notification sites

- Event notification sites can be put online simply by launching the application form, and entering the necessary information and images.



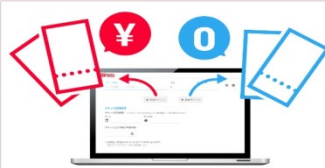
Calendar functions make the necessary information clear at a glance.

- Calendar functions can be used for management of meetings, training, and events. The operating status, venue information, and other necessary information can be identified at a glance.
- The status of applications and other information can be displayed in lists.



Issue and management of free and paid tickets

- Also supports paid events! Simply enter the ticket prices, quantities, sales period, and other information to easily customize the tickets for each event.
- Risk hedging is possible using Cloud tools such as for delivery and cash collection, or bank deposit confirmation.

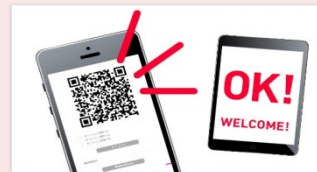


TKP Event Planner

Powered by MAJORS

QR code management system using iPad/iPhone

- QR codes can be issued as lesson cards.
- iPad/iPhone can be used for automated unmanned reception.
- Because attendees can be managed in real time, it is not necessary to create a list of attendees.



Notifications and provision of materials to registered persons, attendees, and absent persons

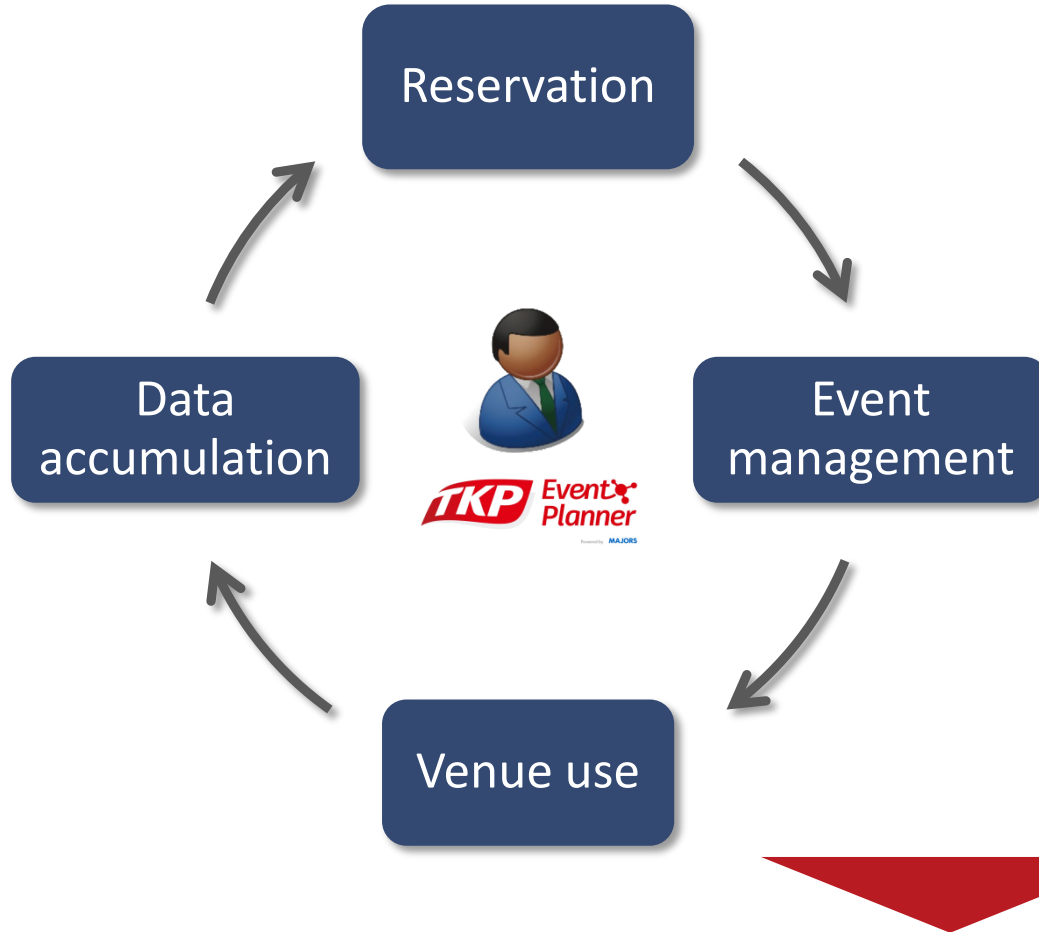
- A simple conditions search sends mail to the target persons.
- Meeting and training performance such as distribution of materials and DL history management can be presented visually.



Please view the TKP
event planner
introduction video.

Increasing the usage unit price (3)

With the introduction of TKP event planner, it becomes possible to accumulate all kinds of data that is related to event planning.



Advantages for the customer

- Can greatly reduce the time and effort involved in event management.
- By accumulating event data, event operations become easier as the number of uses increases.

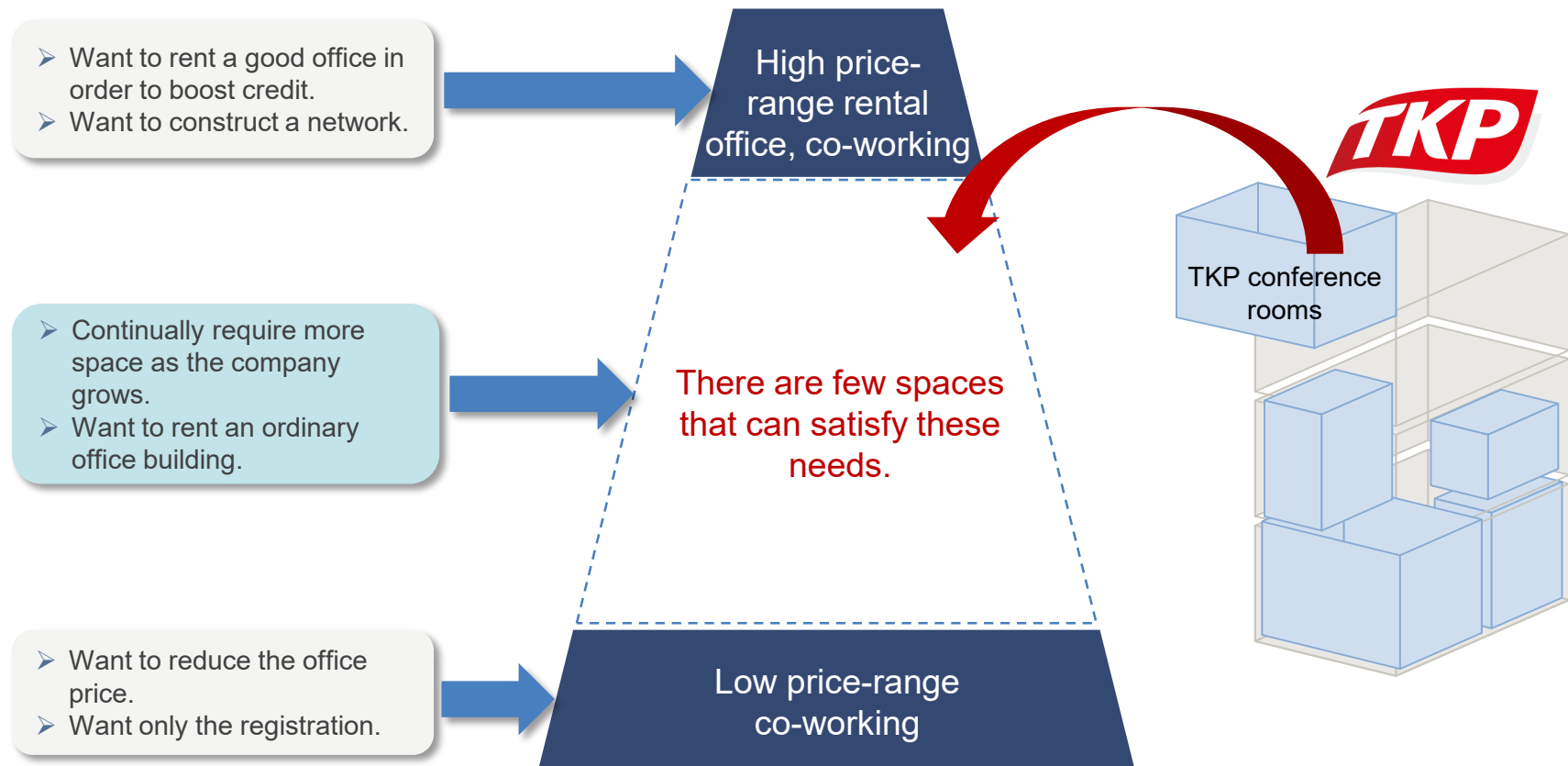
Advantages for TKP

- Promote repeat use by user companies.
- Can accumulate data related to venue use and holding of events by user companies.

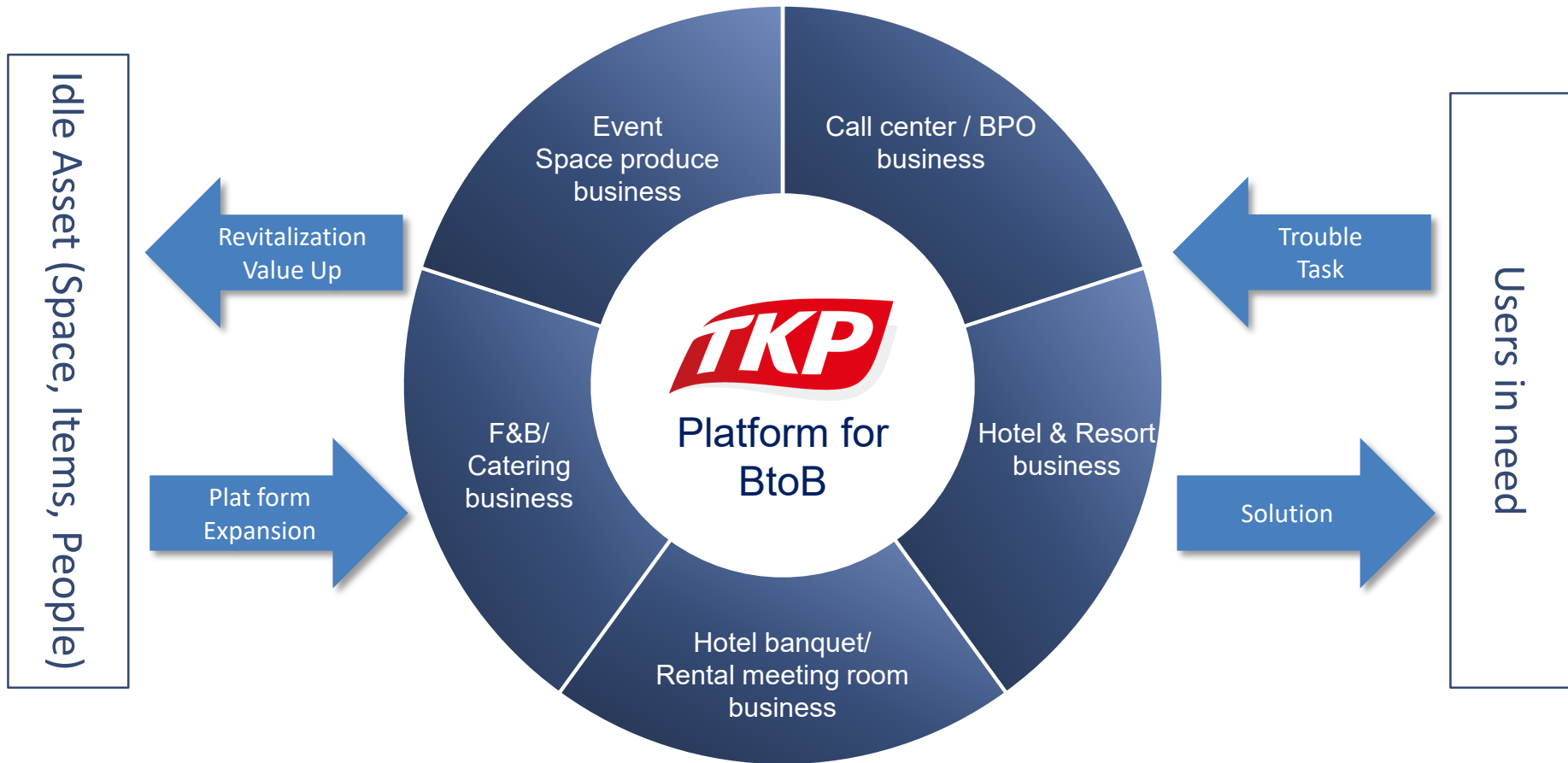
Discover potential needs and connect them to new proposals and the opening of new TKP facilities.

Increasing the operating rate

TKP can increase the flexibility of an office building, allowing companies to liquidate rent office space of the necessary size at the necessary times.



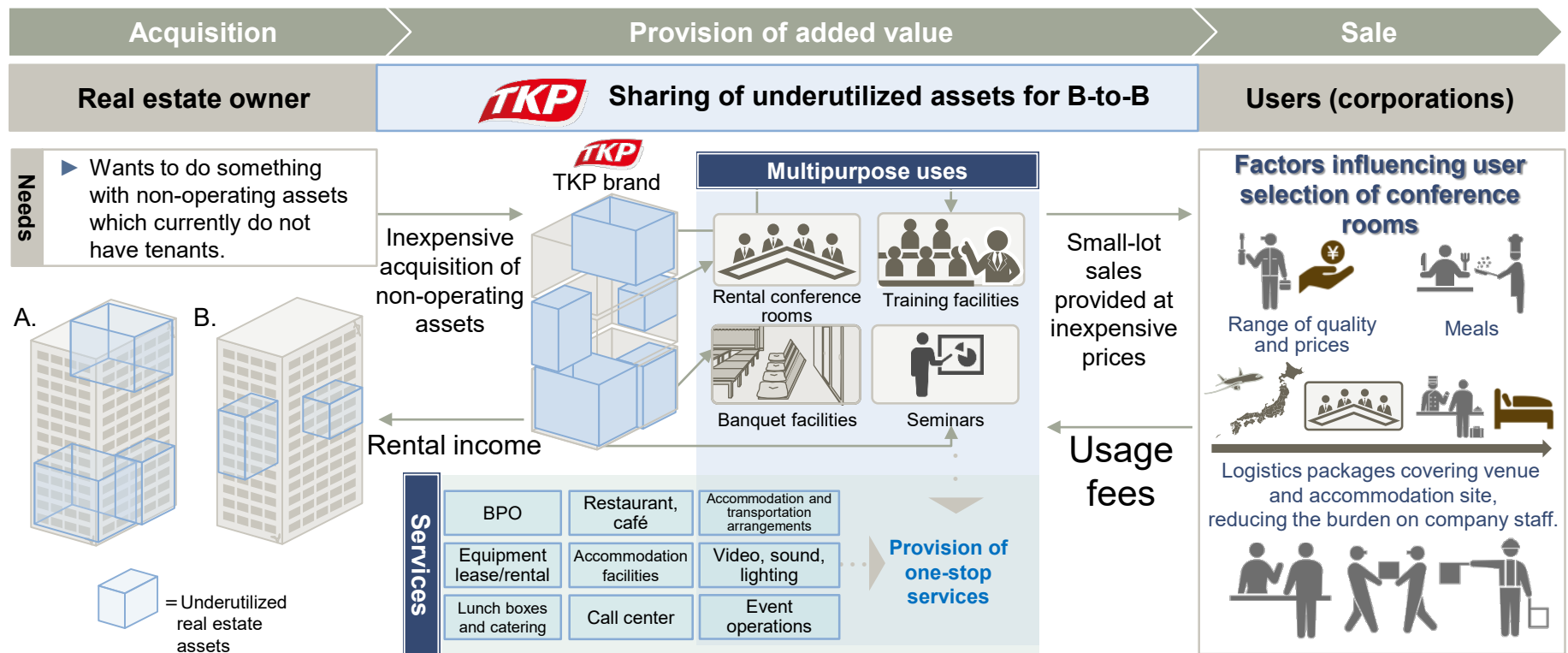
As a platformer for B-to-B markets, TKP aims to transform underutilized property and people around the world into valuable property, spaces, and services that are needed by society, and to deliver them to the users who need them.



APPENDIX


TKP business model

TKP acquires underutilized assets from the real estate owners, and operates a sharing business centered on B-to-B. Our business is not simply small-lot sales, and we add a variety of services to the properties when they are rented for use.
We are no longer a sub-leasing provider. We are a service provider.



TKP business model

We are working to expand our business areas by operating catering, lunch boxes, and other food and beverage services, simultaneous interpreting systems, and other optional services, as well as accommodation services, transportation arrangement services, and other services to meet user needs.

Food and beverage		Options			
<p>Catering</p>  <p>Boxed lunches</p> 	<p>Cafe</p>  <p>Restaurant</p> 	<p>Simultaneous interpreting system</p>  <p>Rental services for recruiting</p> 	<p>Video conferencing system</p>  <p>Office furniture/equipment</p> 	<p>Training coordination</p>  <p>Setting up partitions</p> 	<p>Video, audio, lighting</p>  <p>High-spec projector</p> 
Accommodation		Others			
<p>Training trip packs</p> <p>Employee trip</p> <p>Affiliated hotels</p>		<p>Accommodation arrangements</p> <p>Transportation arrangements</p>			
<p>LecTore レクトーレ</p>  <p>Resort-type seminar hotels</p>		<p>TKP コミュニケーションズ</p>  <p>Event production</p> <p>Event management system</p> <p>Medical conference system</p>			
<p>High grade resort-type seminar ryokan (Japanese style inn)</p> 	<p>Hybrid hotels with conference rooms</p> 	<p>Resort-type training hotel in Tokyo</p> 	<p>Compact hotel with conference rooms</p> 		<p>MAJORS</p>
<p>Medicallink</p>					

5 different grades to suit each purposes

Operates 5 types of spaces including Garden City PREMIUM, Garden City, Conference Center, Business Center, Star Rental Conference rooms



Garden City PREMIUM

State-of-the-art luxury office banquet / conference rooms
Suitable for diverse purposes, from conferences to banquets, with high-end interiors and unique atmosphere

No. of locations: 17
No. of rooms: 195
Brand new / relatively new facilities



Garden City

Hotel banquets, and office banquets with large multi-purpose halls
Rental conference rooms in large hotels, with a strong focus on quality and suitable for various types of events

No. of locations: 43
No. of rooms: 424
Mainly renovated facilities



Conference Center

Suitable for office banquets (banquets that mainly consist of conferences)
Covers a diverse range of business purposes, mainly conferences and seminars

No. of locations: 84
No. of rooms: 931
Mainly renovated facilities



Business Center

Conference facilities with a focus on conferences (rather than banquets)
Suitable for internal meetings, large and small

No. of locations: 51
No. of rooms: 340
Mainly renovated facilities



Star Rental Conference Rooms

Local community-based conference rooms
Suitable for small-scale meetings/assemblies, by companies as well as individuals

No. of locations: 39
No. of rooms: 81
Mainly renovated facilities

※As of August 2018

ビジネスホテルの展開

Left: APA Hotel<TKP Sapporo ekimae>

Right: APA Hotel<TKP Sapporo eki

kitaguchi>EXCELLENT

Osaka



APA Hotel<TKP Nishi Umeda> May 2019

Kawasaki



APA Hotel<TKP Keikyu Kawasaki ekimae>

Sapporo

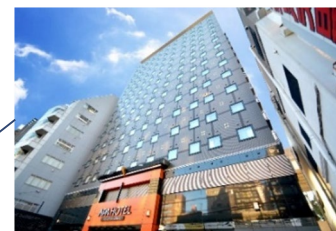


Sendai



APA Hotel<TKP Sendai ekikita>

Tokyo



APA Hotel<TKP Nippori ekimae>



APA Hotel<TKP Tokyo Nishikasai>

APA Hotel<TKP Ueno Hirokoji> July 2020

Fukuoka



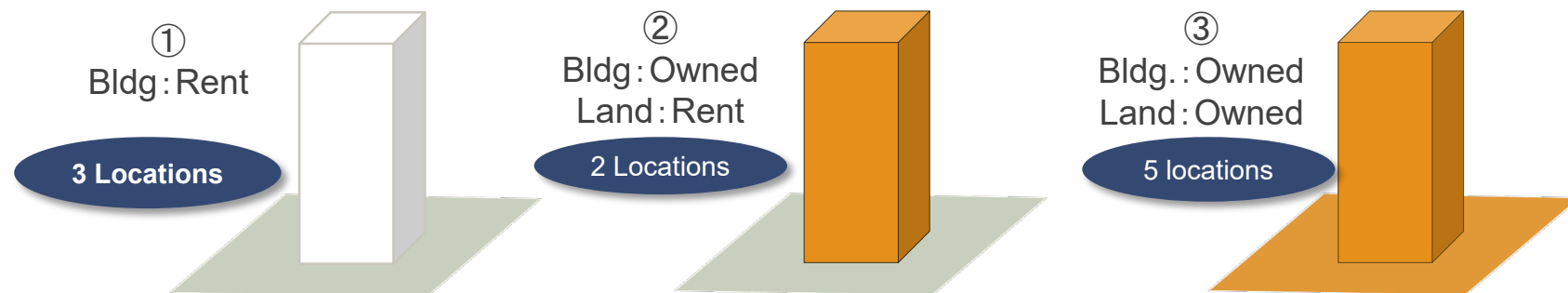
APA Hotel<TKP Hakata higasi Hie ekimae> March. 2020



APA Hotel<TKP Hakata Daimyo> May 2020

Form of the APA Hotels operated by TKP

In the hotel business, we will secure high profitability by owning a portion of the hotels which we operate.

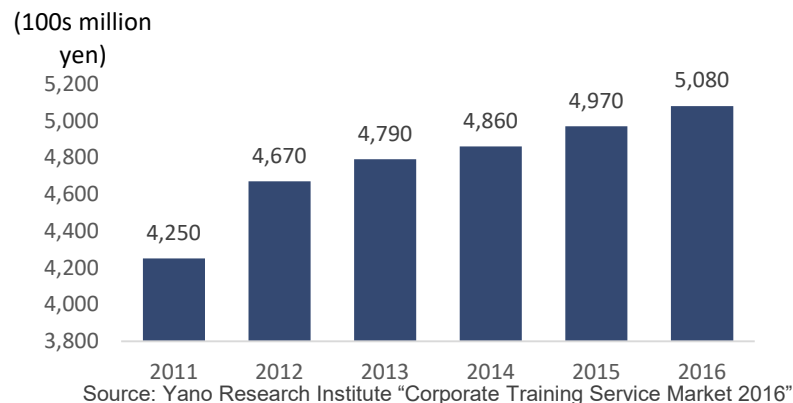


Name	Rooms	Open	Bldg.	Land
APA Hotel<TKP Sapporo ekimae>	203	Aug. 2014	Rent	—
APA Hotel<TKP Sapporo eki kitaguchi> EXCELLENT	108	Aug. 2016	Rent	—
APA Hotel<TKP Nippori ekimae>	278	Dec. 2016	Owned	Owned
APA Hotel<TKP Tokyo Nishikasai>	124	Dec. 2017	Rent	—
APA Hotel<TKP Keikyu Kawasaki ekimae>	143	June 2018	Owned	Rent
APA Hotel<TKP Sendai ekikita>	305	Oct. 2018	Owned	Owned
APA Hotel<TKP Nishi Umeda>	161	May 2019	Owned	Rent
APA Hotel<Hakata Higashi Hie> ※Name TBD	160	March 2020 E	Owned	Owned
APA Hotel<Hakata Daimyo> ※Name TBD	200	May 2020 E	Owned	Owned
APA Hotel<Ueno Hirokoji> ※Name TBD	170	July 2020 E	Owned	Owned

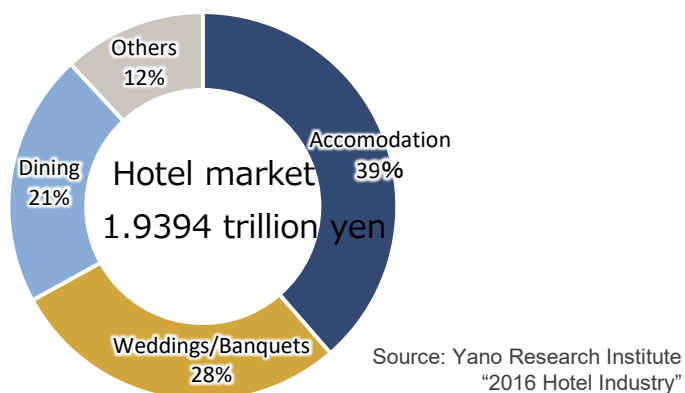
The market captured by TKP

In addition, by using rental conference rooms for multiple purposes, we are working to capture demand in multiple markets. With our conference rooms and banquet facilities located inside office buildings, we have succeeded in capturing demand for corporate events that were previously held outside the office building. Our overpowering nationwide network, consistent quality, and the convenience of our facilities are large advantages for our company.

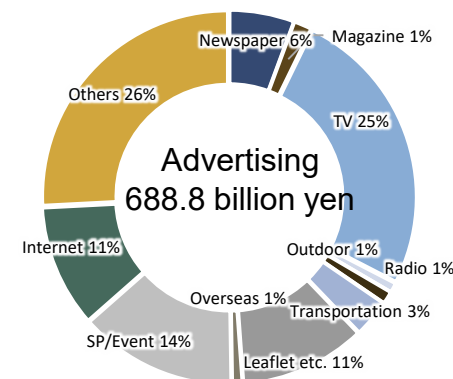
Market size of corporate training services (2016)



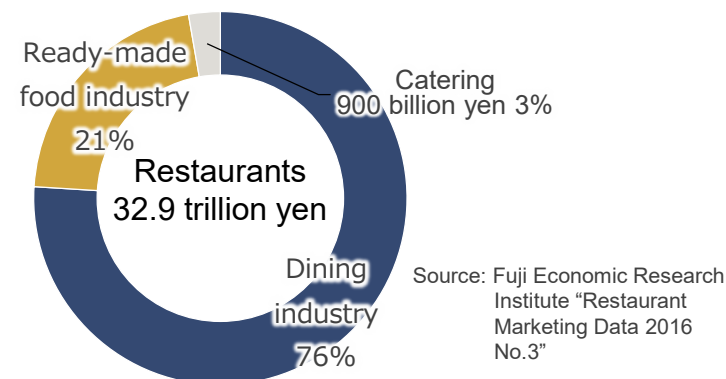
Size of hotel market (2016)



Advertising market (2016)



Size of dining/restaurant market (2015)



As a result, the size of the market which we are targeting easily exceeds 2 trillion yen.
We can capture demand for an even wider range of purposes by opening facilities in commercial buildings in the future.

Stable client base

Number of users per year has reached 24,000 companies.

More than half of listed companies in Japan are TKP users.

Repeat ratio is approximately 85%.

Number of
corporate
users per
year

24,000

Number of
users of
listed
companies
per year

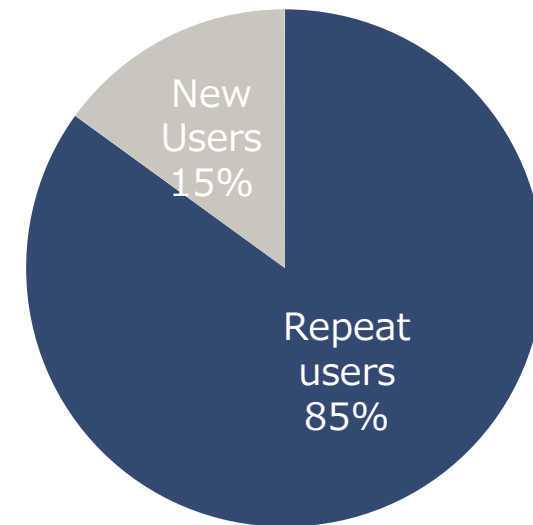
2,000

Average usage
of rooms for top
500 clients

100 facilities per customer

High repeat user ratio

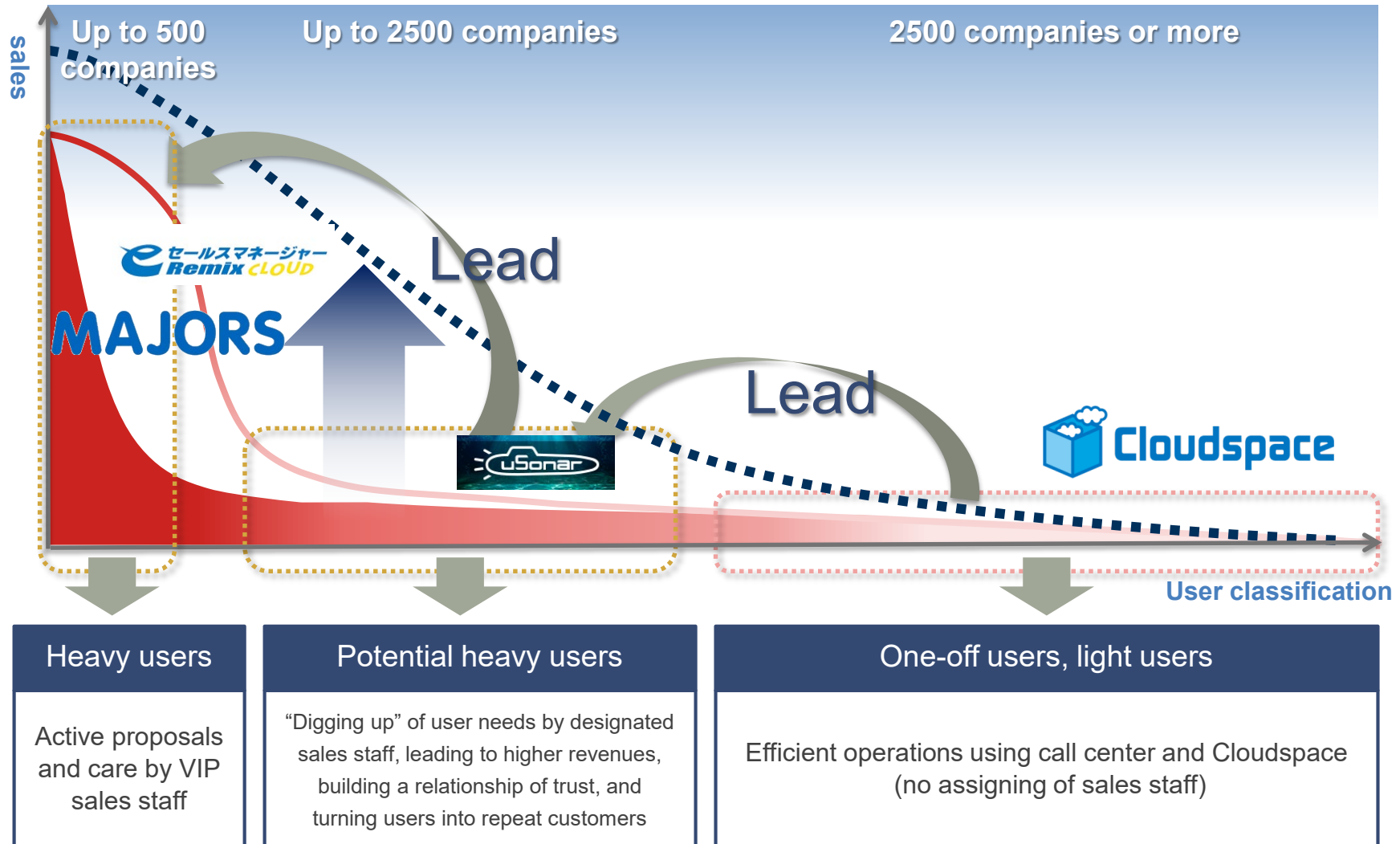
New and repeat user ratio



Repeat client means the client used our facilities FY 2018/2 .

Optimizing the approach to each customer class

Our current customer group structure has an extremely **long tail**.



Shareholders as of August 2018

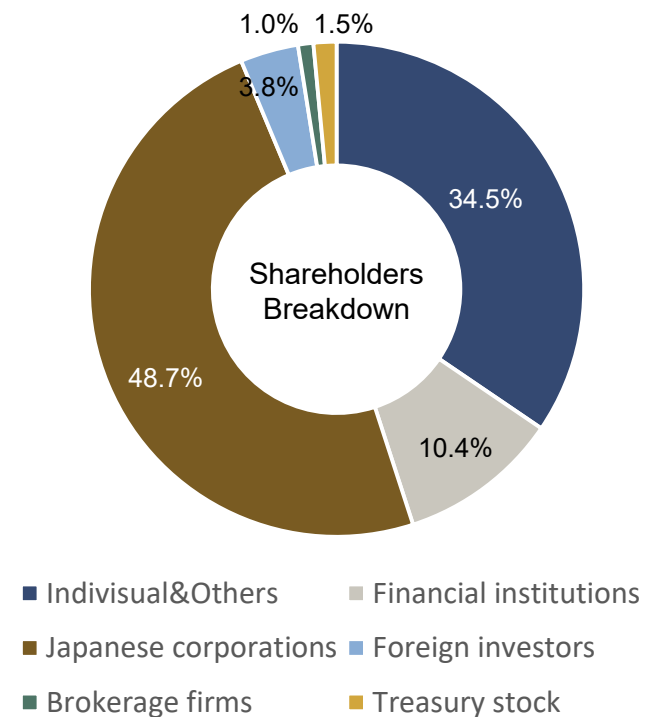
Outstanding shares/# of shareholders

Shares out 33,110,000 shares # of shareholders : 3,234

Major shareholders

		# of holding (shares)	Rate of holding (%)
1	River Filed Co. Ltd.	13,468,000	40.68
2	Takateru Kawano (CEO of TKP)	9,780,100	29.54
3	Imon Corporation	2,543,100	7.68
4	Japan Trustee service	1,879,300	5.68
5	Japan Master Trust bank	871,100	2.63
6	TKP corporation	504,700	1.52
7	Asset management service trust bank	322,100	0.97
8	Nomura Trust bank	289,000	0.87
9	State Street Trust bank	260,000	0.79
10	RBC IST 15 PCT Lending	165,100	0.50

Shareholding ratio



Corporate Profile

Name	TKP Corporation																
Headquarter	2F, TKP Ichigaya Building 8 Ichigaya-Hachimancho Shinjuku-ku, Tokyo 162-0844																
Established	August 15, 2005																
Representative Director	Takateru Kawano																
Capital	JPY 287,795,000																
Listed	March 27 2017 TSE Mothers (3479)																
No. of employees	1,287(as of August 2018) excluding part-timers																
Business	Space Regeneration & Distribution Company <ul style="list-style-type: none"> ◆Hotel banquet hall and rental conference room business ◆Dining & catering business ◆Hotel & resort business ◆Event operation & production business ◆Call center & BPO business 																
Directors	<table> <tr> <td>Representative Director</td><td>Takateru Kawano</td></tr> <tr> <td>COO</td><td>Koji Nakamura</td></tr> <tr> <td>Director</td><td>Haruo Tsuji</td></tr> <tr> <td>Director</td><td>Kohei Watanabe</td></tr> <tr> <td>Director</td><td>Takayuki Hayakawa</td></tr> <tr> <td>Auditor</td><td>Yoshinori Sogabe</td></tr> <tr> <td>Auditor</td><td>Takanori Shige</td></tr> <tr> <td>Auditor</td><td>Takeo Sekihara</td></tr> </table>	Representative Director	Takateru Kawano	COO	Koji Nakamura	Director	Haruo Tsuji	Director	Kohei Watanabe	Director	Takayuki Hayakawa	Auditor	Yoshinori Sogabe	Auditor	Takanori Shige	Auditor	Takeo Sekihara
Representative Director	Takateru Kawano																
COO	Koji Nakamura																
Director	Haruo Tsuji																
Director	Kohei Watanabe																
Director	Takayuki Hayakawa																
Auditor	Yoshinori Sogabe																
Auditor	Takanori Shige																
Auditor	Takeo Sekihara																

Group companies



This is English translation only for the purpose of reference. Please be sure to refer to the original version.

This material has been prepared to improve understanding towards our group, and no information contained herein shall be construed as solicitation for purchase or sale of our shares. This material has not been prepared for investment advisory purposes.

Forecasts etc. contained in this material are estimates, based on information available to the TKP group at the time of preparing the material, and will be impacted by uncertainties including market conditions and future business progress.

Please be informed that the actual results etc. could differ significantly from what is stated in this material.