



**Kyoritsu Maintenance Co., Ltd.**  
**(Securities Code: 9616)**

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year**  
**Ending March 31, 2022**

**[JGAAP]**

**Nov 2021**

## Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 [based on Japanese GAAP]

Nov 9, 2021

Name of listed company	Kyoritsu Maintenance Co., Ltd.	Listed exchange: Tokyo
Code	9616	URL <a href="https://www.kyoritsugroup.co.jp/">https://www.kyoritsugroup.co.jp/</a>
Representative	(Title) President	(Name) Koji Nakamura
Contact	(Title) Managing Director	(Name) Manabu Takaku
Scheduled filing date of Quarterly Report:	Nov 12, 2021	
Scheduled date of start of dividend payment:	Dec 6, 2021	
Supplementary materials for the quarterly financial results:	Yes	
Investor conference for the quarterly financial results:	None	

(Rounded down to the nearest million yen)

### 1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2022 (April 1, 2021 to September 30, 2021)

#### (1) Consolidated Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
The six months ended September 30, 2021	67,713	20.4	-5,619	—	-5,230	—	-4,076	—
The six months ended September 30, 2020	56,250	-40.0	-4,486	—	-4,486	—	-7,856	—

(Note) Comprehensive income: The six months ended September 30, 2021: -4,071 million yen (-%)  
The six months ended September 30, 2020: -7,810 million yen (-%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
The six months ended September 30, 2021	-104.55	—
The six months ended September 30, 2020	-201.49	—

(Note) Diluted net income per share is omitted since the Company recorded net loss per share for this period and there are no potentially dilutive shares

#### (2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	230,476	66,321	28.8	1,701.00
As of March 31, 2021	239,032	70,784	29.6	1,815.45

(Reference) Shareholders' Equity: As of September 30, 2021: 66,321 million yen As of March 31, 2021: 70,784 million yen

### 2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	10.00	—	10.00	20.00
Year ending March 31, 2022	—	10.00			
Year ending March 31, 2022 (Forecast)	—		—	10.00	20.00

(Note) Revision from most recently announced dividends forecasts: None

### 3. Forecasted consolidated results for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentage figures represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	173,000	42.6	2,000	—	1,900	—	100	—	2.56

(Note) Revision from most recently announced earnings forecasts: Yes

\*Notes

(1) Changes in major subsidiaries during the period under review (changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: Yes

(Note) For details, please see “(4) Notes on Quarterly Consolidated Financial Statements, (Application of special accounting procedures in the preparation of quarterly consolidated financial statements)” under “2. Quarterly Financial Statements and Major Notes” on page 14.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

- (i) Changes in accounting policies due to revision of accounting standards, etc.: Yes
- (ii) Changes in accounting policies other than those under (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatements: None

(4) Number of issued shares (common stock)

(i) Number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	39,219,818 shares	Year ended March 31, 2021	39,219,818 shares
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(ii) Number of treasury shares at the end of the period

As of September 30, 2021	229,835 Shares	Year ended March 31, 2021	229,475 shares
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(iii) Average number of shares during the period

As of September 30, 2021	38,990,123 shares	As of September 30, 2020	38,990,242 shares
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\*Summaries of financial results are not subject to auditing by a certified public accountant or auditing firm.

\*Explanation of the appropriate use of earnings forecasts and other special notes

(Note concerning forward-looking statements)

The forward-looking statements, including earnings forecasts and other future projections contained in this document are based on information available to the Company at the time of preparation and on certain assumptions deemed reasonable by the Company. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Actual business results may differ materially from the forecasts due to various factors.

Please see “(3) Explanation of Forecasts of Consolidated Results and Other Forward-Looking Information” under “1. Qualitative Information on Quarterly Results” on page “7” for the assumptions used for the forecast of financial results and notes concerning the use of the forecast of financial results.

(How to obtain supplementary materials on financial results and content of briefings on financial results)

Supplementary materials on quarterly financial results and a movie recorded the contents of the financial results briefing are posted on the Company website.

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation of Operating Results

During the first six months of the current fiscal year, the Japanese economy continued to face a difficult situation due to the spread of COVID-19, resulting in the repeated issuance of priority measures to prevent the spread of the disease and the declaration of a state of emergency.

Under these circumstances, our Group continued to take extensive measures to prevent the spread of infection (such as temperature checks, disinfection, photocatalysis, and non-contact measures) at all Group offices so that customers can use the facilities safely. In addition, as part of the financial support for dormitory residents, our Group has continued to implement “the Program to Support School Attendance under COVID-19 (interest-free loans for dormitory fees).” In addition, in several hotels and restaurants, the Company suspended operations and limited operation hours, and attempted to reduce expenses by utilizing support systems such as employment adjustment subsidies. In addition, the Company worked to strengthen sales of new services such as “WORK PLACE DORMY” (offices and hotels where people can stay and reside) and “Shiki Club,” Kyoritsu's General Corporate Membership Program, as a marketing measure.

As a result, results for the first six months of the current fiscal year show net sales of 67,713 million yen (up 20.4% YoY), operating loss of 5,619 million yen (vs. operating loss of 4,486 million yen in the same period of the previous fiscal year), ordinary loss of 5,230 million yen (vs. ordinary loss of 4,486 million yen in the same period of the previous fiscal year) and loss attributable to owners of parent of 4,076 million yen (vs. loss of 7,856 million yen in the same period of the previous fiscal year). In the previous year, our Group temporarily closed hotels and restaurants in response to the request for closure due to the declaration of a state of emergency. And our Group posted that resulting profit and loss as extraordinary income (loss). However, after reclassification to the ordinary accounts, the operating loss and ordinary loss shrunk by 1,753 million yen and by 2,142 million yen YoY, respectively.

Furthermore, currently some positive signs starting to appear, such as the easing of regulations in Japan and the easing of restrictions on entry for business purposes and foreign students, in line with the decrease in the number of new COVID-19 cases. Our Group will continue to collaborate to recover its business performance.

Segment business performance is reviewed below.

#### (i) Dormitory Business

In the Dormitory Business, the occupancy rate at the beginning of the fiscal year started at 92.1% (down 1.6 points YoY) due to the postponement of foreign students' arrival in Japan and the suspension of new employee training programs, as in the previous fiscal year. Despite the increase in revenue from new openings (11 offices, 1,168 rooms) and newly commissioned offices, net sales were flat compared to the same period of the previous fiscal year.

As a result, net sales amounted to 23,274 million yen (down 0.8% YoY) and operating profit was 2,509 million yen (down 8.5% YoY) due to decline in the occupancy rates.

#### (ii) Hotel Business

In the Hotel Business segment, the Company opened “Natural Hotsprings Kaga-no-Hozen Onyado Nono Kanazawa” in the Dormy Inn Business and “La Vista Kusatsu Hills” in the Resorts Business during the current period. Despite the intermittent issuance of priority measures to prevent the spread of the disease and the declaration of a state of emergency, both the Dormy Inn Business and Resort Business recorded a significant increase in revenues compared with the same period of the previous fiscal year, when the “Go To Travel Campaign” was launched in July 2020. This was due to a recovery in occupancy rates by domestic travelers, especially on weekends, and high occupancy rates during the Golden Week holidays in May.

As a result, net sales amounted to 26,697 million yen (up 45.0% YoY) and operating loss was 7,601 million yen (vs. operating loss of 6,748 million yen in the same period of the previous fiscal year). In the same period of the previous fiscal year, the Company temporarily closed a large number of hotels in response to requests for closures following the declaration of a state of emergency, and posted the profit and loss as extraordinary income (loss). However, after reclassifying them to ordinary accounts, operating loss shrunk by 1,977 million yen YoY as the operating loss for the same period of the previous fiscal year was 9,578 million yen.

Currently, both the occupancy rates and the average daily rate are on a recovery trend, as the priority measures to prevent the spread of the disease and the declaration of a state of emergency have been fully lifted, and the restrictions on activities have been gradually eased. Our Group will continue to promote the sales of the aforementioned services, as well as the “NEW LOCAL STAY Plan (local-only services),” etc., and will strategically open new hotels in order to recover profitability as soon as possible and strive for medium-to-long term business expansion.

(iii) Comprehensive Building Management Business

Factors such as decline in construction projects, despite a rise in cleaning services in accordance to increasing occupancy rates, resulted in net sales of 6,531 million yen (down 10.8% YoY) and operating profit of 49 million yen in the Comprehensive Building Management Business (down 68.9 percent YoY).

(iv) Food Service Business

In the Food Service Business, despite increased projects in contracted hotel restaurants, the suspension of liquor services, shortened business hours and temporary closures of restaurants to prevent the spread of COVID-19 resulted to net sales of 3,103 million yen (up 38.2% YoY) and operating loss was 88 million yen (vs. operating loss of 16 million yen in the same period of the previous fiscal year).

(v) Development Business

As a result of the liquidation of real estate, the Development Business reported net sales of 9,101 million yen (up 16.8% YoY) and operating profit of 633 million yen (up 121.6% YoY).

(vi) Other Businesses

Other Businesses consist of the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support business for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, and the administrative outsourcing business. The total of these businesses resulted in net sales of 7,568 million yen (down 1.4% YoY) and operating profit of 293 million yen (down 41.0% YoY).

## (2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

(Assets)

Total assets at the end of the second quarter of this consolidated fiscal year stood at 230,476 million yen, down by 8,555 million yen from the end of the previous consolidated fiscal year. Main factors of this decrease included declines in cash and deposits.

(Liabilities)

Liabilities at the end of the second quarter of this consolidated fiscal year stood at 164,154 million yen, down by 4,092 million yen from the end of the previous consolidated fiscal year. This was mainly due to factors such as a decline in accounts payable - other etc.

(Net Assets)

Net assets at the end of the second quarter of this consolidated fiscal year stood at 66,321 million yen, down by 4,463 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings.

As a result, the equity ratio became 28.8%, a decrease of 0.8 points from the end of the previous consolidated fiscal year.

(ii) Cash flow

Cash and cash equivalents as of the end of second quarter of this consolidated fiscal year were 13,349 million yen, decreased by 10,862 million yen from the end of the previous consolidated fiscal year.

(Cash Flows from Operating Activities)

“Net cash used in operating activities” was 9,255 million yen, decreased by 4,168 million yen compared to the same period last year due to the impact of the loss before income taxes.

(Cash Flows from Investing Activities)

“Net cash used in investing activities” was 7,373 million yen, increased by 1,201 million yen compared to the same period last year, due to the impact of payments of lease and guarantee deposits.

(Cash Flows from Financing Activities)

“Net cash provided by financing activities,” was positive 5,772 million yen, decreased by 16,616 million yen compared to the

same period last year, due to the net increase/decrease in short-term borrowings.

**(3) Explanation of Forecasts of Consolidated Results and Other Forward-Looking Information**

Regarding the consolidated business forecast for the fiscal year ending March 31, 2022, due to the prolonged effects of the spread of the COVID-19, the consolidated results for the first half of the current fiscal year were below the initial expectation. Currently, priority measures to prevent the spread of the disease and the declarations of the state of emergency have been fully lifted, and with the gradual ease of restrictions on activities, domestic demand is gradually recovering. However, since the full-scale recovery has been delayed, the Company has revised the forecast for the full-year results announced on May 14, 2021.

For details, please refer to the "Notice of Revision of Earnings Forecast" released on November 9, 2021.

Also, please note that these forecasts are based on information available at the time of publication, and actual results may differ from these forecasts due to various factors.

## 2. Quarterly Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	24,588	13,726
Notes and accounts receivable - trade	9,702	-
Notes and accounts receivable - trade and contract assets	-	9,353
Real estate for sale	15,959	24,482
Real estate for sale in process	1,670	5,096
Costs on uncompleted construction contracts	513	126
Other	9,562	7,197
Allowance for doubtful accounts	-52	-80
Total current assets	61,944	59,902
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,408	48,414
Land	45,827	45,662
Construction in progress	11,278	7,868
Other, net	4,393	4,301
Total property, plant and equipment	114,907	106,247
Intangible fixed assets	4,235	3,450
Investments and other assets		
Investment securities	4,499	4,525
Guarantee deposits	16,489	17,144
Lease deposits	16,912	17,025
Other	19,562	21,748
Allowance for doubtful accounts	-119	-119
Total investments and other assets	57,344	60,324
Total non-current assets	176,487	170,022
Deferred assets	600	551
<b>Total assets</b>	<b>239,032</b>	<b>230,476</b>



(Unit: million yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,667	6,300
Short-term borrowings	12,702	17,092
Current portion of bonds payable	5,280	5,180
Income taxes payable	1,764	518
Provision for bonuses	714	723
Provision for directors' bonuses	37	37
Provision for warranties for completed construction	3	3
Other	24,677	13,877
Total current liabilities	49,848	43,732
Non-current liabilities		
Bonds payable	28,540	26,000
Convertible bonds with share acquisition rights	30,142	30,127
Long-term loans payable	53,003	57,451
Provision for directors' retirement benefits	252	253
Retirement benefit liability	1,045	1,105
Other	5,414	5,484
Total non-current liabilities	118,398	120,422
Total liabilities	168,247	164,154
<b>Net assets</b>		
Shareholders' equity		
Share capital	7,964	7,964
Capital surplus	12,821	12,821
Retained earnings	50,831	46,364
Treasury shares	-357	-358
Total shareholders' equity	71,259	66,791
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55	72
Foreign currency translation adjustment	-555	-565
Remeasurements of defined benefit plans	24	22
Total accumulated other comprehensive income	-474	-470
Total net assets	70,784	66,321
Total liabilities and net assets	239,032	230,476

**(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income**  
 (Quarterly Consolidated Income Statement)  
 (Six Months Ended September 30, 2021)

(Unit: million yen)

	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Net sales	56,250	67,713
Cost of sales	52,137	63,709
Gross profit (loss)	4,113	4,004
Selling, general and administrative expenses	8,599	9,623
Operating income (loss)	-4,486	-5,619
Non-operating income		
Interest income	38	55
Dividend income	31	23
Subsidy income	577	345
Compensation income	32	462
Other	119	191
Total non-operating income	799	1,078
Non-operating expenses		
Interest expenses	222	290
Expenses for measures for COVID-19	385	142
Other	192	257
Total non-operating expenses	800	689
Ordinary income (loss)	-4,486	-5,230
Extraordinary income		
Subsidy income	152	-
Total extraordinary income	152	-
Extraordinary losses		
Loss on temporary closing, etc.	2,886	-
Loss on disaster	-	29
Loss on store closings	2,025	110
Other	41	13
Total extraordinary losses	4,953	154
Net income (loss) before taxes	-9,287	-5,384
Income taxes	-1,431	-1,308
Net income (loss)	-7,856	-4,076
Net income (loss) attributable to owners of parent	-7,856	-4,076

(Quarterly consolidated statement of comprehensive income)  
(Six Months Ended September 30, 2021)

(Unit: million yen)

	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Net income (loss)	-7,856	-4,076
Other comprehensive income		
Valuation difference on available-for-sale securities	56	16
Foreign currency translation adjustment	-14	-10
Remeasurements of defined benefit plans	4	-2
Total other comprehensive income	46	4
Comprehensive income	-7,810	-4,071
(Breakdown)		
Comprehensive income attributable to owners of parent	-7,810	-4,071

**(3) Quarterly consolidated cash flow statement**

(Unit: million yen)

	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
<b>Cash flows from operating activities</b>		
Net income (loss) before taxes	-9,287	-5,384
Depreciation and amortization	2,578	2,982
Amortization of long-term prepaid expenses	176	243
Amortization of security deposits	156	157
Increase (decrease) in provision for bonuses	-1,400	8
Interest and dividend income	-69	-78
Interest expenses	222	290
Subsidy income	-730	-345
Compensation income	-32	-462
Expenses for measures for COVID-19	385	142
Loss on temporary closing, etc.	2,886	-
Loss on disaster	13	29
Loss on store closings	2,025	110
Decrease (increase) in notes and account receivables - trade	-1,833	347
Decrease (increase) in accounts receivable - other	448	416
Decrease (increase) in inventories	-1,781	-4,883
Increase (decrease) in notes and accounts payables - trade	540	1,633
Increase (decrease) in accrued expenses	56	-352
Increase (decrease) in advances received	-3,398	-2,838
Increase (decrease) in accounts payable - other	505	-1,082
Increase (decrease) in accrued consumption taxes	-469	2,374
Increase (decrease) in deposits received	-164	-811
Increase (decrease) in guarantee deposits received	-164	-309
Other	-2	-235
Subtotal	-9,339	-8,047
Interest and dividends received	34	20
Interest paid	-209	-268
Income taxes refund	0	2
Income taxes paid	-830	-1,518
Proceeds from subsidy income	730	345
Compensation income received	32	462
Expenses for measures for COVID-19 paid	-385	-142
Loss on temporary closures, etc.	-2,504	-
Loss on store closings	-953	-110
Net cash provided by (used in) operating activities	-13,424	-9,255
<b>Cash flows from investing activities</b>		
Purchase of investment securities	-432	-30
Proceeds from sales of investment securities	1,243	26
Purchase of property, plant and equipment	-5,678	-5,259
Proceeds from sales of property, plant and equipment	12	2
Purchase of intangible assets	-127	-200
Payments of loans receivable	-339	-502
Collection of loans receivable	361	146
Payments of lease and guarantee deposits	-450	-1,349
Proceeds from collection of lease and guarantee deposits	36	424
Purchase of insurance funds	-561	-548
Proceeds from cancellation of insurance funds	10	26
Other	-247	-109
Net cash provided by (used in) investing activities	-6,172	-7,373

(Unit: million yen)

	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	18,047	4,540
Proceeds from long-term loans payable	10,100	6,200
Repayments of long-term loans payable	-2,190	-1,902
Redemption of bonds	-2,641	-2,641
Share buybacks	-1	-1
Cash dividends paid	-895	-389
Other	-31	-34
Net cash provided by (used in) financing activities	22,388	5,772
Effect of exchange rate change on cash and cash equivalents	-9	-5
Net increase (decrease) in cash and cash equivalents	2,782	-10,862
Balance of cash and cash equivalents at the beginning of current period	17,792	24,212
Balance of cash and cash equivalents at the end of current period	20,575	13,349

#### **(4) Notes on Quarterly Consolidated Financial Statements**

(Notes on the going concern assumption)

Not applicable

(Notes concerning any notable changes in shareholders' equity)

Not applicable

(Application of special accounting procedures in the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

The Company calculates tax expenses by rationally assuming an effective tax rate after applying tax effect accounting to profit (loss) before income taxes for the consolidated fiscal year, including the first six months of the fiscal year, and multiplying profit (loss) before income taxes for the first half of the fiscal year by the estimated effective tax rate. However, if the result of calculation of tax expenses using the estimated effective tax rate is significantly unreasonable, the statutory effective tax rate is used.

(Changes in accounting policies)

(Application of Accounting Standards for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020) and other standards from the beginning of the first quarter of this consolidated fiscal year. The Company has decided to recognize revenue as the amount expected to be received in exchange for promised goods or services at the time the control of such goods or services is transferred to the customer.

As a result, hotel courier sales, which were previously recorded on a gross basis, are now recorded on a net basis, i.e., the consideration received from the customer less the consideration paid to the carrier. Additionally, the Company has changed its accounting method for consignment sales of transportation tickets and concession merchandise, which are now recorded at the net amount of the consideration received from the customer less the consideration paid to the consignor, rather than the gross amount previously recorded.

The Company has applied the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for the application of the Accounting Standard for Revenue Recognition, and the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter of this consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter, and the new accounting policy has been applied from the relevant beginning balance.

As a result, net sales and cost of sales for the current consolidated fiscal year decreased by 245 million yen and 245 million yen, respectively, as compared to the case where the previous accounting standards would have been applied. However, the impact on operating loss is minor. This has no impact on the starting balance of retained earnings of the current fiscal year. Due to the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," which was included in "Current assets" in the consolidated balance sheet for the previous fiscal year, is now included in "Notes, accounts receivable - trade and contract assets" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not made any reclassification to the prior year's consolidated financial statements using this new classification.

(Application of accounting standards for calculation of fair value, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of this consolidated fiscal year. The Company will also apply the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This would not give any impact on the quarterly consolidated financial statements.

(Additional information)

(Application of Consolidated Taxation System)

The Company and its domestic consolidated subsidiaries have adopted the Consolidated Taxation System from the first quarter of the current consolidated fiscal year.

(Application of tax effect accounting for the transition from the Consolidated Taxation System to our Group Tax Sharing System)

With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with transition to our Group Tax Sharing System, which was created under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to our Group Tax Sharing System (PITF No.39, March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

(Segment Information etc.)

[Segment Information]

I For the six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

1. Information on net sales, income or loss by each reporting segment

(Unit: million yen)

	Reporting segment						Other Note <sup>1</sup>	Total	Adjustment amount Note <sup>2</sup>	Amount recorded on consolidated quarterly income statement Note <sup>3</sup>
	Dormitory	Hotel	Comprehen sive Building Managem ent	Food Service	Developme nt	Total				
Net sales										
Net Sales to External Customers	23,287	18,376	3,475	273	3,405	48,818	7,431	56,250	-	56,250
Inter-segmental sales or transfers	170	39	3,845	1,972	4,387	10,416	245	10,661	-10,661	-
Total	23,457	18,416	7,321	2,246	7,793	59,235	7,677	66,912	-10,661	56,250
Segment profit (loss)	2,743	-6,748	160	-16	286	-3,575	497	-3,078	-1,407	-4,486

Notes: 1. The Other Business segment consists of the following businesses which are not included in the other reporting segments: the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support business for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, the administrative outsourcing business, and other additional businesses.

2. Adjustment of segment profit (loss) of -1,407 million yen includes the amount of elimination of inter-segment transactions of -241 million yen and corporate expenses of -1,166 million yen that are not allocated to each reportable segment. Corporate expenses mainly consist of expenses related to the Accounting Department and other administrative departments of the head office.

3. Segment profit (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reporting segment

Not applicable

II For the six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

1. Information on net sales, income or loss by each reporting segment

(Unit: million yen)

	Reporting segment						Other Note <sup>1</sup>	Total	Adjustment amount Note <sup>2</sup>	Amount recorded on consolidated quarterly income statement Note <sup>3</sup>
	Dormitory	Hotel	Comprehensive Building Management	Food Service	Development	Total				
Net sales										
Net Sales to External Customers	23,112	26,648	3,289	312	7,022	60,385	7,327	67,713	-	67,713
Inter-segmental sales or transfers	162	49	3,241	2,791	2,079	8,323	240	8,563	-8,563	-
Total	23,274	26,697	6,531	3,103	9,101	68,708	7,568	76,277	-8,563	67,713
Segment profit (loss)	2,509	-7,601	49	-88	633	-4,496	293	-4,203	-1,416	-5,619

Notes: 1. The Other Business segment consists of the following businesses which are not included in the other reporting segments: the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support business for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, the administrative outsourcing business, and other additional businesses.

2. Adjustment of segment profit (loss) of -1,416 million yen includes the amount of elimination of inter-segment transactions of 47 million yen and corporate expenses of -1,463 million yen that are not allocated to each reportable segment. Corporate expenses mainly consist of expenses related to the Accounting Department and other administrative departments of the head office.

3. Segment profit (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information on change in reporting segment, etc.

(Application of Accounting Standards for Revenue Recognition, etc.)

As stated in “Changes in accounting policies”, the Company has applied the Accounting Standard for Revenue Recognition and other standards from the beginning of the first quarter of the current consolidated fiscal year, and changed the accounting method related to revenue recognition. The Company also has changed the calculation method of profit or loss of business segment accordingly.

Due to these changes, net sales and cost of sales of the Hotel Business during the first six months of the consolidated fiscal year have decreased by 106 million yen and 106 million yen respectively, and net sales and cost of sales of the Other Business decreased by 138 million yen and 138 million yen respectively, as compared to the case where the previous accounting standards would have been applied. However, the impact on the segment loss is minor.

3. Information on impairment loss of non-current assets or goodwill, etc. by reporting segment

Not applicable