



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

**Summary of Consolidated Financial Results for the
First Quarter of the Fiscal Year Ending March 31, 2021**

[JGAAP]

August 2020



Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 [based on Japanese GAAP]

August 7, 2020

Name of listed company Kyoritsu Maintenance Co., Ltd. Listed exchange: Tokyo
 Code 9616 URL <https://www.kyoritsugroup.co.jp/>
 Representative (Title) President (Name) Takumi Ueda
 Contact (Title) Managing Director (Name) Koji Nakamura Tel 03-5295-7778
 Scheduled date of submittal of Securities Report August 11, 2020 Scheduled date of commencement of payment of dividends —
 Supplementary materials prepared concerning quarterly financial results: Yes
 Briefing held on quarterly financial results: No

(rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of the term ending March 31, 2021 (April 1 – June 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate YoY changes)

| | Net sales | | Operating profit | | Ordinary profit | | Attributable to owners of the parent Quarterly net income | |
|------------------------------|------------------------------|--------|------------------|------|-----------------------------|-------|---|---------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| 1Q of term ending March 2021 | 23,608 | -44.0 | -4,521 | — | -4,805 | — | -6,423 | — |
| 1Q of term ended March 2020 | 42,169 | 14.3 | 3,154 | 23.7 | 3,019 | 24.8 | 2,077 | 32.1 |
| (Note) Comprehensive income | 1Q of term ending March 2021 | -6,383 | Million yen | (-%) | 1Q of term ended March 2020 | 1,795 | Million yen | (12.8%) |

| | Quarterly net income per share | Diluted quarterly net income per share |
|------------------------------|--------------------------------|--|
| | Yen | Yen |
| 1Q of term ending March 2021 | -164.75 | — |
| 1Q of term ended March 2020 | 53.29 | — |

Note: Diluted net income per share is omitted since there were no potentially dilutive shares last fiscal year, while this fiscal year the Company recorded a quarterly net loss per share and there are no potentially dilutive shares.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| 1Q of term ending March 2021 | 231,426 | 76,673 | 33.1 | 1,966.51 |
| Fiscal year ended March 2020 | 217,086 | 83,954 | 38.7 | 2,153.24 |

(Reference) Shareholders' equity 1Q of term ending March 2021 76,673 Million yen Fiscal year ended March 2020 83,954 Million yen

2. Dividends

| | Annual dividends | | | | |
|----------------------------------|------------------|--------|--------|----------|-------|
| | Q1 end | Q2 end | Q3 end | Year end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 2020 | — | 22.00 | — | 23.00 | 45.00 |
| Fiscal year ending March 2021 | — | | | | |
| FY ending March 2021 (projected) | | — | — | — | — |

Note: Revision from most recently announced dividends projections: None

Projections of dividends for the fiscal year ending March 2021 are yet to be determined at this time.

3. Projected consolidated financial results for the fiscal year ending March 2021 (April 1, 2020 to March 31, 2021)

Despite a rebounding trend since June, due to the difficulty of making reasonable estimates at this stage since the effects of COVID-19 remain unpredictable, projected financial results are to be determined. Projected financial results will be announced promptly as soon as it has become feasible to release them.

* Notes

- (1) Change in major subsidiaries during the quarter under review (changes in specified subsidiaries involving a change in the scope of consolidation): None
- (2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: Yes
Note: For details, see “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to quarterly consolidated financial statements (Application of special accounting procedures in the preparation of quarterly consolidated financial statements)” on page 12 of the attached materials.
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
 - ① Changes in accounting policies due to revision of accounting standards, etc.: None
 - ② Changes in accounting policies other than those under (i) above: None
 - ③ Changes in accounting estimates: None
 - ④ Retrospective restatements: None

(4) Number of shares of stock issued and outstanding (common stock)

| | | | | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|
| ① Number of shares issued and outstanding at the end of the period (including shares of treasury stock) | 1Q of term ending March 2021 | 39,218,826 shares | Fiscal year ended March 2020 | 39,218,826 shares |
| ② Number of shares of treasury stock at the end of the period | 1Q of term ending March 2021 | 228,974 shares | Fiscal year ended March 2020 | 228,844 shares |
| ③ Average number of shares during the quarter (cumulative through the quarter) | 1Q of term ending March 2021 | 38,989,881 shares | 1Q of term ended March 2020 | 38,990,634 shares |

* This summary of quarterly financial statements is exempt from quarterly review procedures by a certified public accountant or auditors.

* Description concerning appropriate use of projections of business results and other notes

Note concerning forward-looking statements

Projections of business results and other forward-looking statements contained in this document are based on information available to the Company at the time of preparation and certain assumptions judged to be reasonable. They do not represent commitments that such results will be achieved. Actual business results may differ widely due to various factors. For the conditions forming the assumptions on which forecasts of results are based and notes on use of forecasts of results, see “1. Qualitative Information on Quarterly Results; (3) Explanation of Forecasts of Consolidated Results and Other Forward-Looking Information” on page 7 of the attached materials.

(How to obtain supplementary materials on quarterly financial results)

Supplementary materials on quarterly financial results are posted to the Company website.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Results

During the first quarter consolidated cumulative period of this fiscal year, the slowing trend in Japan's economy strengthened further as a result of the global novel coronavirus (COVID-19) pandemic. While economic activity resumed in stages after the declaration of a state of emergency was rescinded on May 25, future prospects remain uncertain due to concerns about a second or third wave of the virus.

A look at the Group's performance shows that the Dormitory Business segment started the fiscal year somewhat down from last year, with an initial occupancy rate of 93.7%, due to factors such as postponement of international students' arrivals in Japan due to COVID-19. The Hotels Business segment, meanwhile, was down for the quarter as occupancy rates fell massively in April and May due to decreased inbound tourism and lower demand for business travel and domestic leisure in response to stay-at-home orders, although the business did see a rebound in June. Some hotels and restaurants closed temporarily as part of efforts to stop the spread of the virus.

As a result, a look at business performance in the first quarter consolidated cumulative period of this fiscal year shows net sales of 23,608 million yen (down 44.0% YoY), an operating loss of 4,521 million yen (vs. income of 3,154 million yen in the same period last year), an ordinary loss of 4,805 million yen (vs. income of 3,019 million yen in the same period last year), and quarterly net loss attributable to owners of the parent of 6,423 million yen (vs. income of 2,077 million yen in the same period last year)

While business travel and domestic leisure demand was low in April and May, the hotel occupancy rate has shown a strong recovery due to factors including the release of requests to refrain from traveling across prefectural borders in June and the introduction of new Company products together with various tourism promotional campaigns conducted by prefectures. This recovering trend has continued since July as well. Steady progress is being made toward a recovery while thoroughly employing measures to prevent the spread of COVID-19. For example, the Japanese government has launched the "Go To" travel campaign.

Segment business performance is reviewed below.

① Dormitory Business

In the Dormitory Business segment, while a total of fourteen new dormitories (with 1,095 rooms) opened in April, effects of COVID-19 such as postponement of international students' arrivals and decreased demand for new-employee training led to an initial occupancy rate of 93.7% (down 5.0 points YoY) in the Dormitory Business segment as a whole.

As a result, net sales in this segment were 12,101 million yen (down 7.0% YoY) and its operating income was 1,579 million yen (down 24.4% YoY).

The Dormitory Business is implementing a COVID-19 admissions program as part of efforts to provide economic support for students residing in dormitories.

② Hotel Business

The Hotels Business segment experienced massive drops in occupancy rates in April and May due to dramatically decreased inbound tourism and lower demand for business travel and domestic leisure in response to domestic calls to refrain from going out or traveling except in necessary and urgent cases, in response to COVID-19. Some sites also closed temporarily as part of efforts to prevent the spread of the virus.

However, after the declaration of a state of emergency was rescinded on May 25, Dormy Inn's occupancy rate recovered rapidly, and the number of domestic overnight guests in June had returned largely to the same level as in June of last year. In addition, sales promotion for new products in the Resorts Business, such as taxi shuttle plans and plans exclusively for local residents, which targeted domestic travelers, bore fruit. As a result, occupancy rates rose and unit prices per room returned largely to the same levels as last year.

As a result of the above factors, net sales was 4,194 million yen (down 78.9% YoY) and operating loss was 5,610 million yen (vs. income of 1,683 million yen in the first quarter of last year).

The recovering trend has continued since July as well, and a further recovery will be aimed at in the Hotels Business as a whole, including taking advantage of the "Go To" travel campaign.

③ Comprehensive Building Management Business

In the Comprehensive Building Management Business segment, net sales were 3,498 million yen (down 11.9% YoY) and operating profit was 53 million yen (down 41.7% YoY), reflecting factors such as lower hotel occupancy and decreases in cleaning work due to temporary closure of businesses.

④ Food Service Business

Due to the effects of factors such as reduced hotel restaurant operations as a result of the COVID-19 pandemic and temporary closure of restaurants as part of efforts to prevent the spread of the virus, the Food Service Business recorded net sales of 677 million yen (down 61.2% YoY) and an operating loss of 16 million yen (vs. income of 50 million yen in the first quarter of last year).

⑤ Development Business

In the Development Business segment, while net sales grew 6.2% YoY to 4,409 million yen due to factors including growth in construction projects, segment operating income was down 20.2% YoY to 155 million yen as a result of a lack of real estate securitization transactions during the period and other factors.

⑥ Other Businesses

The Company's other business segments 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 for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, and the administrative outsourcing business. Thanks to factors including steady improvements in earnings of the PKP Business, net sales in this segment were 3,783 million yen (up 9.7% YoY) and its operating income was 118 million yen (up 1,232.6% YoY).

(2) Explanation of Financial State

(Assets)

Total assets at the end of the first quarter of this consolidated fiscal year stood at 231,426 million yen, up 14,340 million yen from the end of the previous consolidated fiscal year. Main causes of this increase included growth in cash and deposits intended to secure necessary funds.

(Liabilities)

Liabilities at the end of the first quarter of this consolidated fiscal year stood at 154,752 million yen, up 21,621 million yen from the end of the previous consolidated fiscal year. Main causes of this increase included growth in short-term loans payable and long-term loans payable.

(Net assets)

Net assets at the end of the first quarter of this consolidated fiscal year stood at 76,673 million yen, down 7,280 million yen from the end of the previous consolidated fiscal year. Main causes of this decrease included a reduction in retained earnings.

As a result, the equity ratio fell by 5.6 percentage points from the end of the previous consolidated fiscal year, to 33.1%.

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

Despite a rebounding trend since June, due to the difficulty of making reasonable estimates at this stage since the effects of COVID-19 remain unpredictable, projected financial results are to be determined. Projected financial results will be announced promptly as soon as it has become feasible to release them.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: millions yen)

| | Previous consolidated fiscal year (March 31, 2020) | First quarter consolidated accounting period of this fiscal year (June 30, 2020) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,303 | 30,266 |
| Notes and accounts receivable-trade | 11,057 | 9,927 |
| Real estate for sale | 211 | 186 |
| Real estate for sale in process | 11,518 | 11,299 |
| Costs on uncompleted construction contracts | 256 | 153 |
| Other | 9,290 | 9,350 |
| Allowance for doubtful accounts | -46 | -48 |
| Total current assets | 50,590 | 61,135 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 47,607 | 47,513 |
| Land | 44,509 | 45,453 |
| Construction in progress | 13,805 | 14,813 |
| Other, net | 3,527 | 3,771 |
| Total property, plant and equipment | 109,450 | 111,551 |
| Intangible fixed assets | 3,918 | 3,866 |
| Investments and other assets | | |
| Investment securities | 4,761 | 4,011 |
| Guarantee deposits | 17,337 | 17,458 |
| Lease deposits | 16,226 | 16,367 |
| Other | 14,394 | 16,648 |
| Allowance for doubtful accounts | -184 | -183 |
| Total investments and other assets | 52,535 | 54,303 |
| Total noncurrent assets | 165,904 | 169,721 |
| Deferred assets | 591 | 570 |
| Total assets | 217,086 | 231,426 |

(Unit: millions yen)

| | Previous consolidated fiscal year (March 31, 2020) | First quarter consolidated accounting period of this fiscal year (June 30, 2020) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 10,124 | 9,840 |
| Short-term loans payable | 12,034 | 27,481 |
| Current portion of bonds to be redeemed within a year | 5,280 | 5,280 |
| Convertible bonds with stock options planned for redemption within one year | 19,992 | 19,992 |
| Income taxes payable | 1,900 | 1,420 |
| Provision for bonuses | 2,103 | 217 |
| Provision for directors' bonuses | 404 | 28 |
| Provision for warranties for completed construction | 9 | 9 |
| Provision for point card certificates | 6 | 6 |
| Provision for loss on store closing | — | 180 |
| Other | 19,225 | 19,626 |
| Total current liabilities | 71,080 | 84,082 |
| Noncurrent liabilities | | |
| Bonds payable | 33,820 | 33,320 |
| Long-term loans payable | 21,922 | 30,980 |
| Net defined benefit liability | 1,140 | 1,163 |
| Provision for directors' retirement benefits | 251 | 251 |
| Provision for point card certificates | 0 | 0 |
| Other | 4,915 | 4,954 |
| Total noncurrent liabilities | 62,050 | 70,670 |
| Total liabilities | 133,131 | 154,752 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 7,961 | 7,961 |
| Capital surplus | 12,817 | 12,817 |
| Retained earnings | 64,281 | 56,961 |
| Treasury stock | -355 | -355 |
| Total shareholders' equity | 84,706 | 77,385 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -117 | -87 |
| Foreign currency translation adjustment | -597 | -590 |
| Remeasurements of defined benefit plans | -36 | -34 |
| Total accumulated other comprehensive income | -751 | -711 |
| Total net assets | 83,954 | 76,673 |
| Total liabilities and net assets | 217,086 | 231,426 |

(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Income Statement)
 (First quarter consolidated cumulative period)

(Unit: millions yen)

| | First quarter consolidated cumulative period of the previous fiscal year (From April 1, 2019 to June 30, 2019) | First quarter consolidated cumulative period of this fiscal year (From April 1, 2020 to June 30, 2020) |
|--|--|--|
| Sales | 42,169 | 23,608 |
| Cost of sales | 32,997 | 24,121 |
| Gross profit (loss) | 9,172 | -512 |
| Selling, general, and administrative expenses | 6,018 | 4,008 |
| Operating income (loss) | 3,154 | -4,521 |
| Non-operating income | | |
| Interest | 18 | 18 |
| Dividend income | 32 | 28 |
| Subsidy income | 2 | 46 |
| Other | 31 | 76 |
| Total non-operating income | 84 | 170 |
| Non-operating expenses | | |
| Interest expenses | 86 | 103 |
| Costs of responding to novel infectious diseases | — | 214 |
| Other | 133 | 135 |
| Total non-operating expenses | 219 | 454 |
| Ordinary income (loss) | 3,019 | -4,805 |
| Extraordinary income | | |
| Gain on sales of investment securities | 217 | — |
| Total extraordinary income | 217 | — |
| Extraordinary loss | | |
| Losses from temporary closures etc. | — | 2,886 |
| Loss on valuation of golf club membership | 5 | — |
| Other | — | 321 |
| Total extraordinary loss | 5 | 3,208 |
| Quarterly net income (loss) before taxes | 3,231 | -8,013 |
| Income taxes | 1,153 | -1,590 |
| Quarterly net income (loss) | 2,077 | -6,423 |
| Quarterly net income (loss) attributable to owners of the parent | 2,077 | -6,423 |

(Quarterly consolidated statement of comprehensive income)
 (First quarter consolidated cumulative period)

(Unit: millions yen)

| | First quarter consolidated cumulative period of the previous fiscal year (From April 1, 2019 to June 30, 2019) | First quarter consolidated cumulative period of this fiscal year (From April 1, 2020 to June 30, 2020) |
|---|--|--|
| Quarterly net income (loss) | 2,077 | -6,423 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -174 | 30 |
| Foreign currency translation adjustment | -106 | 7 |
| Remeasurements of defined benefit plans | -1 | 2 |
| Total other comprehensive income | -282 | 39 |
| Quarterly comprehensive income | 1,795 | -6,383 |
| (Breakdown) | | |
| Quarterly comprehensive income attributable to owners of parent | 1,795 | -6,383 |

(3) Notes to the 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)

Tax expenses have been calculated through reasonable estimation of the effective tax rate after application of tax-effect accounting to net income before taxes for the consolidated fiscal year including this first quarter and multiplication of this estimated effective tax rate by quarterly net income before taxes. However, where it would be highly unreasonable to estimate tax expenses using this estimated effective tax rate, the statutory effective tax rate has been used.

(Segment information)

[Segment information]

I First quarter consolidated cumulative period of the previous fiscal year (April 1 – June 30, 2019)

1. Information on amounts of net sales and profit (loss) by reporting segment

(Unit: millions yen)

| | Reporting segment | | | | | | Other Notes: 1. | Total | Adjustment amount Notes: 2. | Amount shown on quarterly consolidated income statement Notes: 3. |
|--|-------------------|--------|-----------------------------------|--------------|-------------|--------|-----------------|--------|-----------------------------|---|
| | Dormitory | Hotel | Comprehensive building management | Food service | Development | Total | | | | |
| Sales | | | | | | | | | | |
| Net sales to external customers | 12,934 | 19,840 | 1,676 | 359 | 4,058 | 38,869 | 3,300 | 42,169 | — | 42,169 |
| Internal sales or transfers between segments | 81 | 33 | 2,296 | 1,388 | 91 | 3,892 | 148 | 4,040 | -4,040 | — |
| Total | 13,016 | 19,874 | 3,972 | 1,747 | 4,149 | 42,761 | 3,448 | 46,210 | -4,040 | 42,169 |
| Segment profit or loss (-) | 2,088 | 1,683 | 91 | 50 | 195 | 4,108 | 8 | 4,117 | -963 | 3,154 |

Notes:1. Other business segments consist of the following businesses not included in 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 for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, and the administrative outsourcing business.

2. The adjustment amount of -963 million yen on segment profit (loss) reflects -63 million yen in cancellation of inter-segment transactions and -899 million yen in companywide costs not allocated to reporting segments. Companywide costs refer mainly to costs related to administrative sections such as the head office Accounting Division.

3. Segment profit (loss) has been adjusted against operating income on the quarterly consolidated income statement.

2. Information on impairment loss, goodwill, etc. for fixed assets by reporting segment

Not applicable

II First quarter consolidated cumulative period of this fiscal year (April 1 – June 30, 2020)

1. Information on amounts of net sales and profit (loss) by reporting segment

(Unit: millions yen)

| | Reporting segment | | | | | | Other Notes: 1. | Total | Adjustment amount Notes: 2. | Amount shown on quarterly consolidated income statement Notes: 3. |
|--|-------------------|--------|---|-----------------|-------------|--------|--------------------|--------|-----------------------------------|--|
| | Dormitory | Hotel | Comprehensive building management | Food service | Development | Total | | | | |
| Sales | | | | | | | | | | |
| Net sales to external customers | 12,014 | 4,179 | 1,406 | 93 | 2,260 | 19,955 | 3,653 | 23,608 | — | 23,608 |
| Internal sales or transfers between segments | 86 | 15 | 2,091 | 584 | 2,148 | 4,926 | 130 | 5,056 | -5,056 | — |
| Total | 12,101 | 4,194 | 3,498 | 677 | 4,409 | 24,881 | 3,783 | 28,665 | -5,056 | 23,608 |
| Segment profit or loss (-) | 1,579 | -5,610 | 53 | -16 | 155 | -3,839 | 118 | -3,720 | -800 | -4,521 |

Notes: 1. Other business segments consist of the following businesses not included in 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 for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, and the administrative outsourcing business.

2. The adjustment amount of -800 million yen on segment profit (loss) reflects -169 million yen in cancellation of inter-segment transactions and -631 million yen in companywide costs not allocated to reporting segments. Companywide costs refer mainly to costs related to administrative sections such as the head office Accounting Division.

3. Segment profit (loss) has been adjusted against operating loss on the quarterly consolidated income statement.

2. Information on impairment loss, goodwill, etc. for fixed assets by reporting segment
Not applicable