



Echigo Yuzawa hot Spring Yukemuri no Yado Yuki no Hana



Yumeguri no Yado Katsuragawa at Shuzenji Hot Springs

Explanation of Financial Results for the Second Quarter of the Fiscal Year Ending March 2021

November, 2020

KYORITSU
HOTELS & DORMITORIES
9616

Agenda

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**Summary of
Financial Results for
the Second Quarter
of the Fiscal Year
Ending March 2021**



La Vista Furano Hills



*Hosei University Komagome
Dormitory*

Executive Summary

1

Consolidated operating income returned to the black in July-September, as the Hotels Business recovered

- In the Dormitory Business segment, despite lower occupancy rates at the start of the period due to decreased demand from international students and for new-employee training as a result of COVID-19, some companies have begun new-employee training that had been postponed by the pandemic and universities began to move toward reopening in-person classes and other activities.
- The Hotels Business segment showed considerable improvement in revenues compared to Q1, as domestic demand recovered due to the easing of stay-at-home orders since June and the effects of the "Go To" travel campaign and the Company's unique new products introduced in response to COVID-19.
- With an eye toward future growth, businesses will be revised in order to realize further structural enhancement, including closure of one facility in South Korea and of the Global Cabin business.

2

Projected full-year business results and projected dividends

- While a clear recovery trend is apparent as a rebound from the first quarter, in consideration of the future impacts of COVID-19 net sales are projected to be 132 billion yen, while operating loss is projected at 3 billion yen.
- Midyear dividends are projected to be 10 yen/share based on the Company's fundamental stance of providing steady and stable long-term returns to shareholders. Year-end dividends have not yet been determined.

FY 3/21 H1 Consolidated Financial Results and KPIs

(Unit: 100 million yen)

	FY 3/20	FY 3/21				
	H1 Act (2019/4-9)	H1 Act (2020/4-9)	YoY change		Q1 Act (2020/4-6)	Q2 Act (2020/7-9)
Net sales	938.1	562.5	-375.6	-40.0%	236.0	326.4
Operating income	90.6	-44.8	-135.5	-	-45.2	0.3
Ordinary income	89.7	-44.8	-134.5	-	-48.0	3.1
Net income	61.1	-78.5	-139.7	-	-64.2	-14.3
EPS (JPY)	156.8	-201.4	-358.3	-	-164.7	-36.7

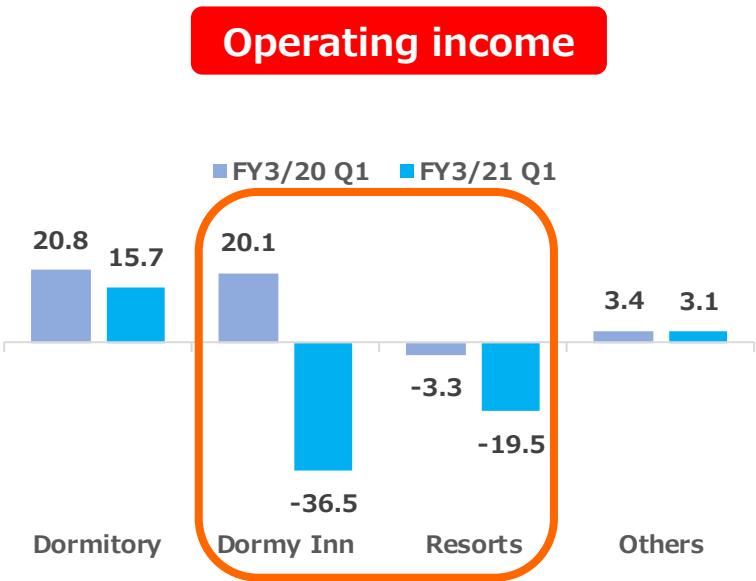
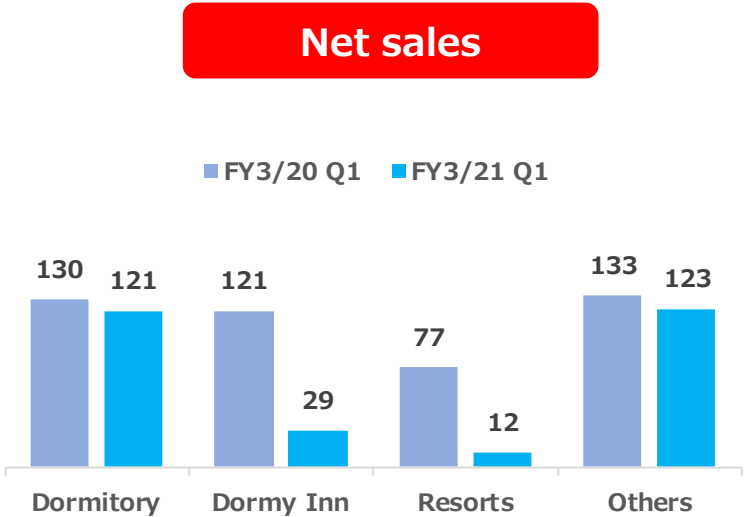
Capital investment	110.4	46.8	-63.5	-57.6%	26.0	20.7
Depreciation expense	25.0	25.7	+0.7	+2.9%	12.7	13.0
Cash flow*	86.2	-52.7	-138.9	-	-51.5	-1.2
Net D/E Ratio	0.8x	1.3x	+0.4x	-	-	-

* Cash flow: Net profit + depreciation

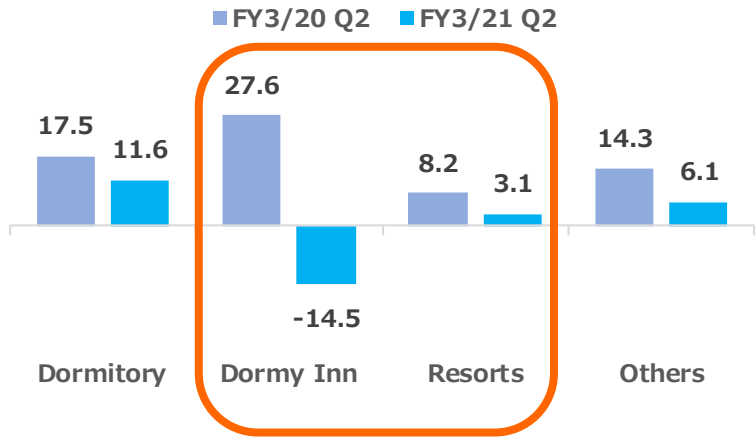
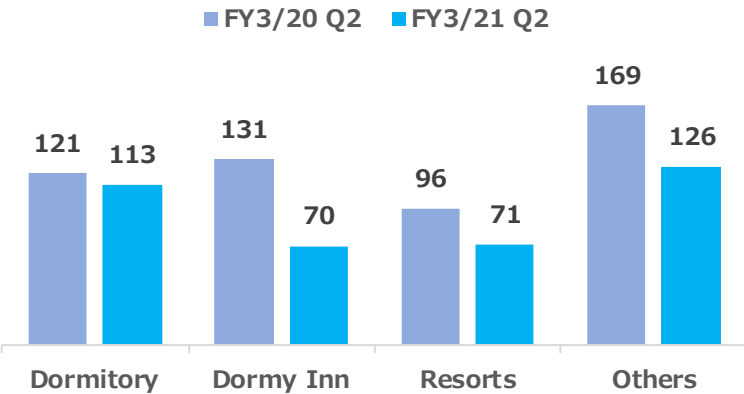
FY 3/21 H1 sales and operating income broken down by segment

(Unit: 100 million yen)

Q1



Q2

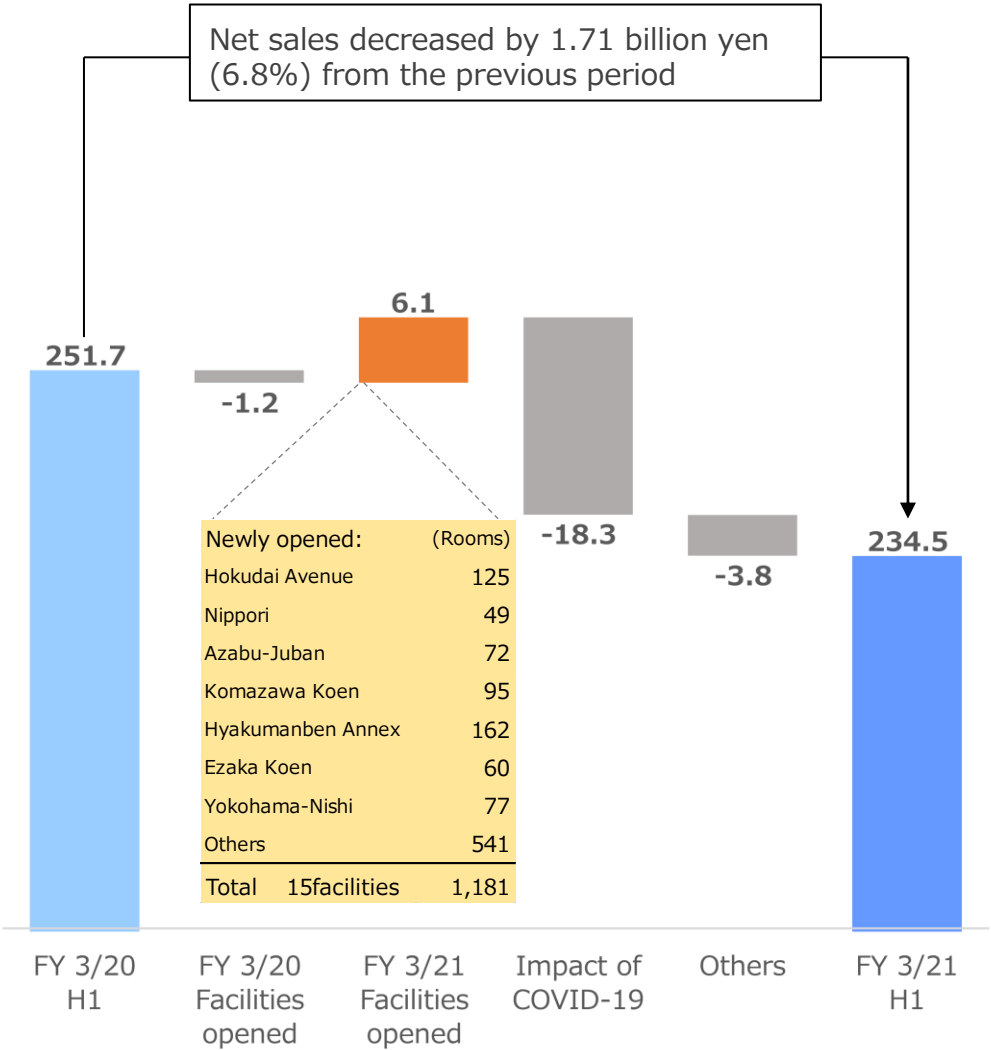


Dormitory Business: FY 3/21 H1 Net sales and operating income

(Unit: 100 million yen)

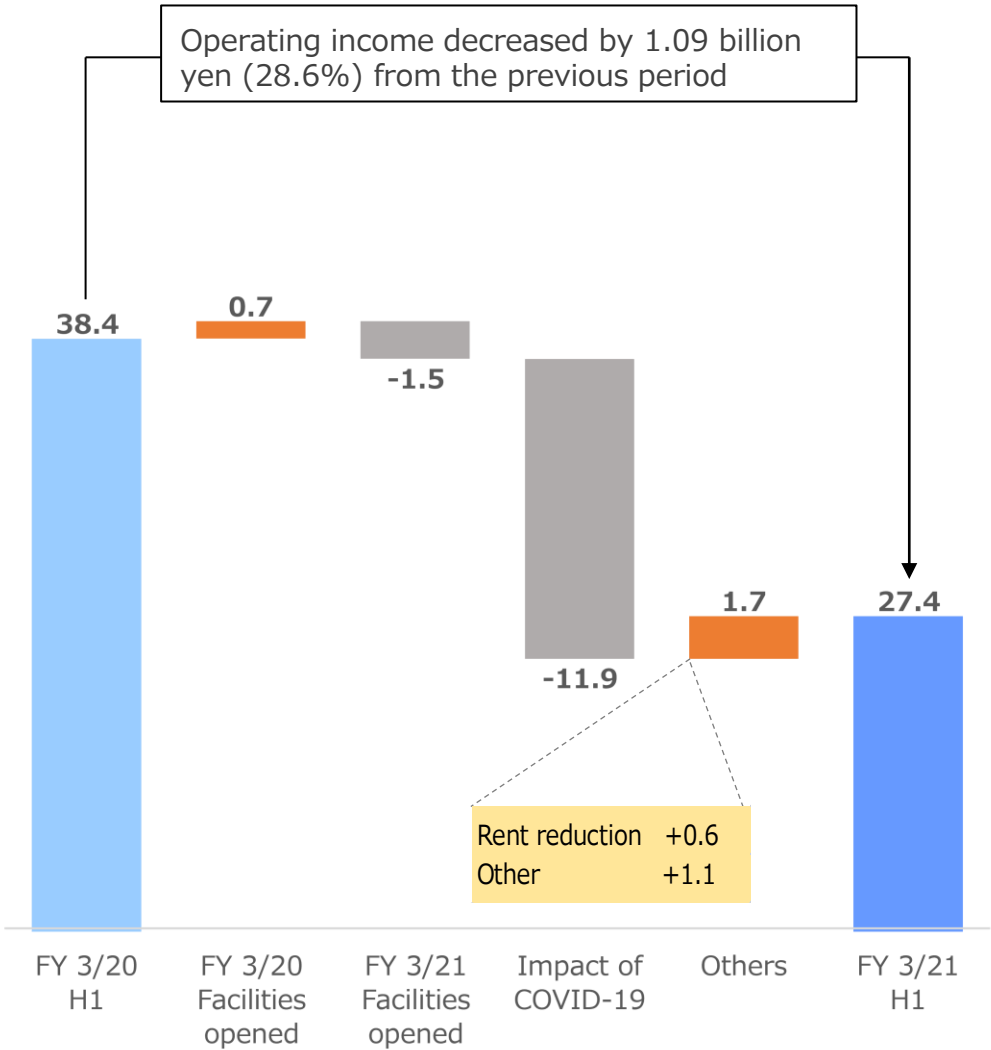
Net sales

Net sales decreased by 1.71 billion yen (6.8%) from the previous period



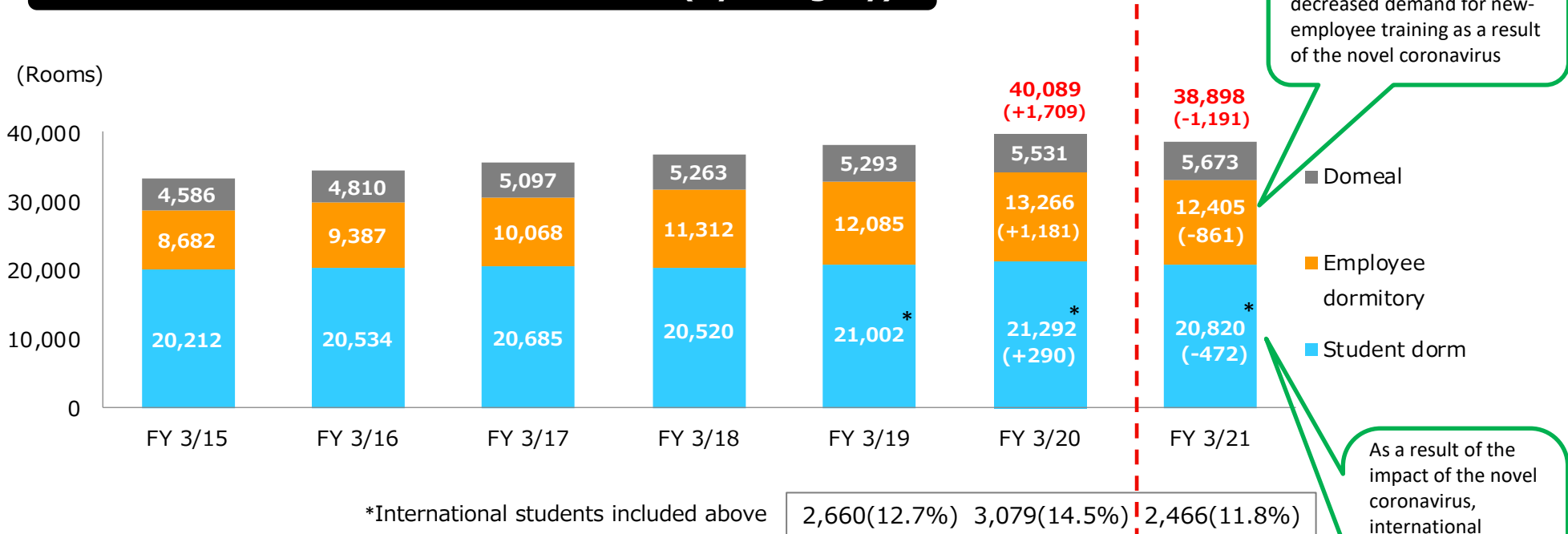
Operating income

Operating income decreased by 1.09 billion yen (28.6%) from the previous period

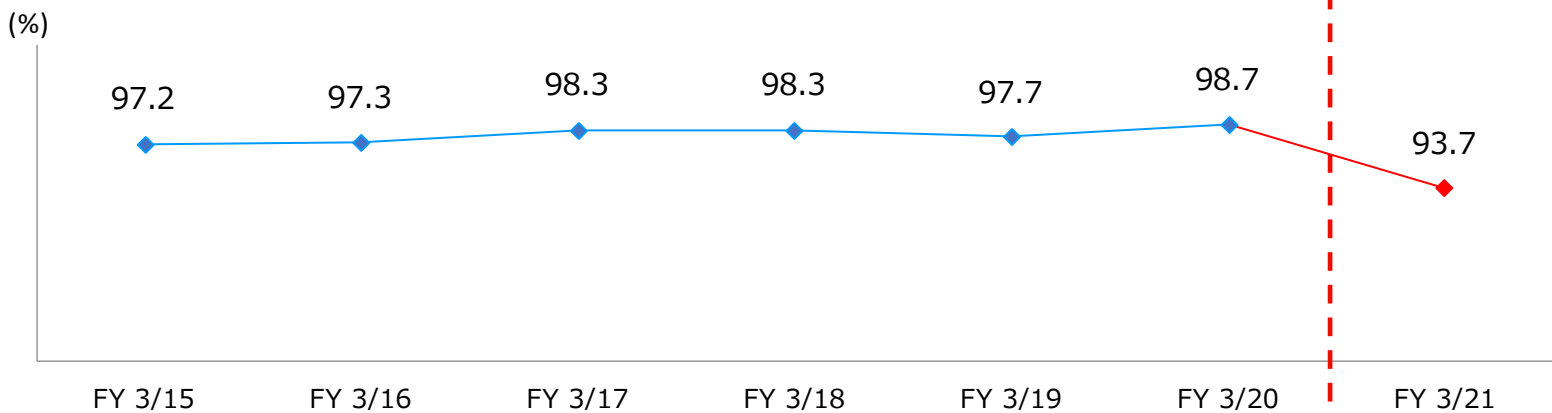


Dormitory Business: Trends in initial number of leased units/occupancy rate

Trend in initial number of leased units (by category)



Trend in initial occupancy rate

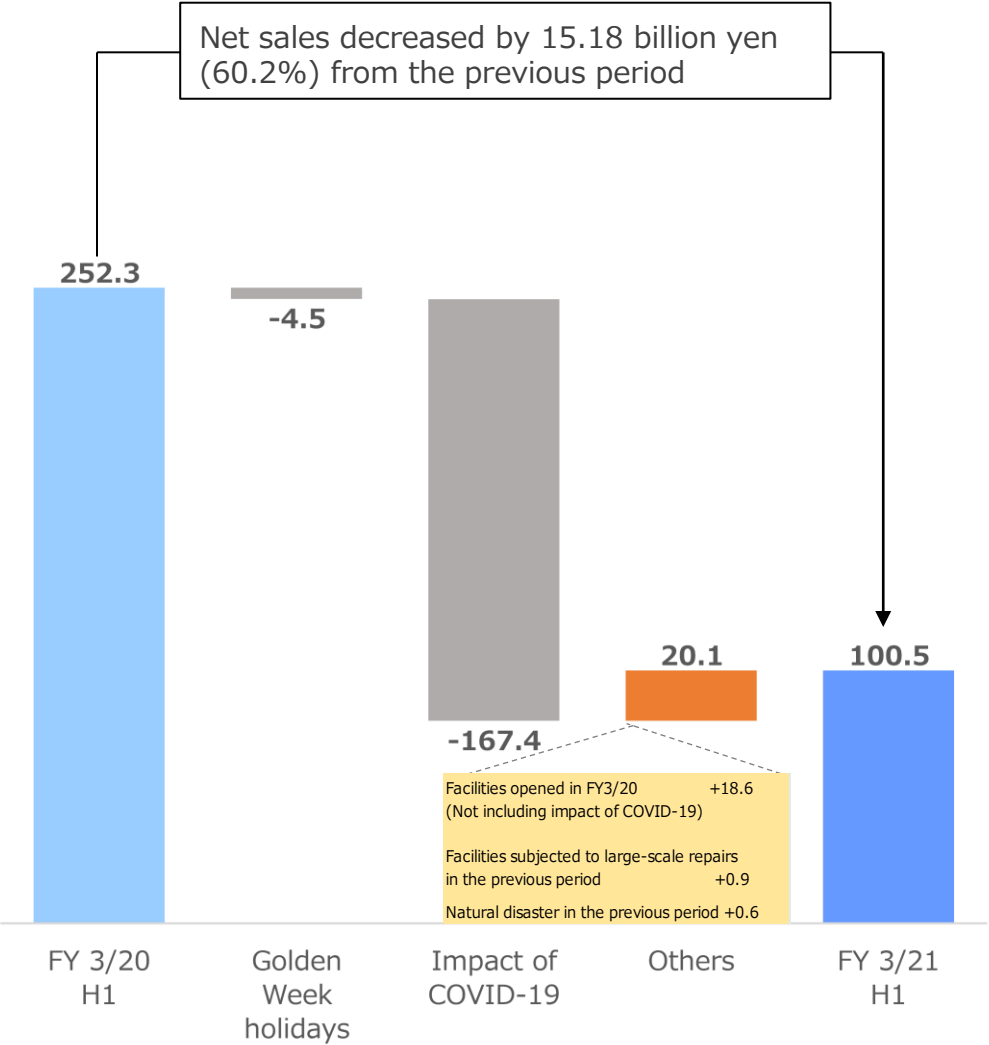


Dormy Inn Business: FY 3/21 H1 Net sales and operating income

(Unit: 100 million yen)

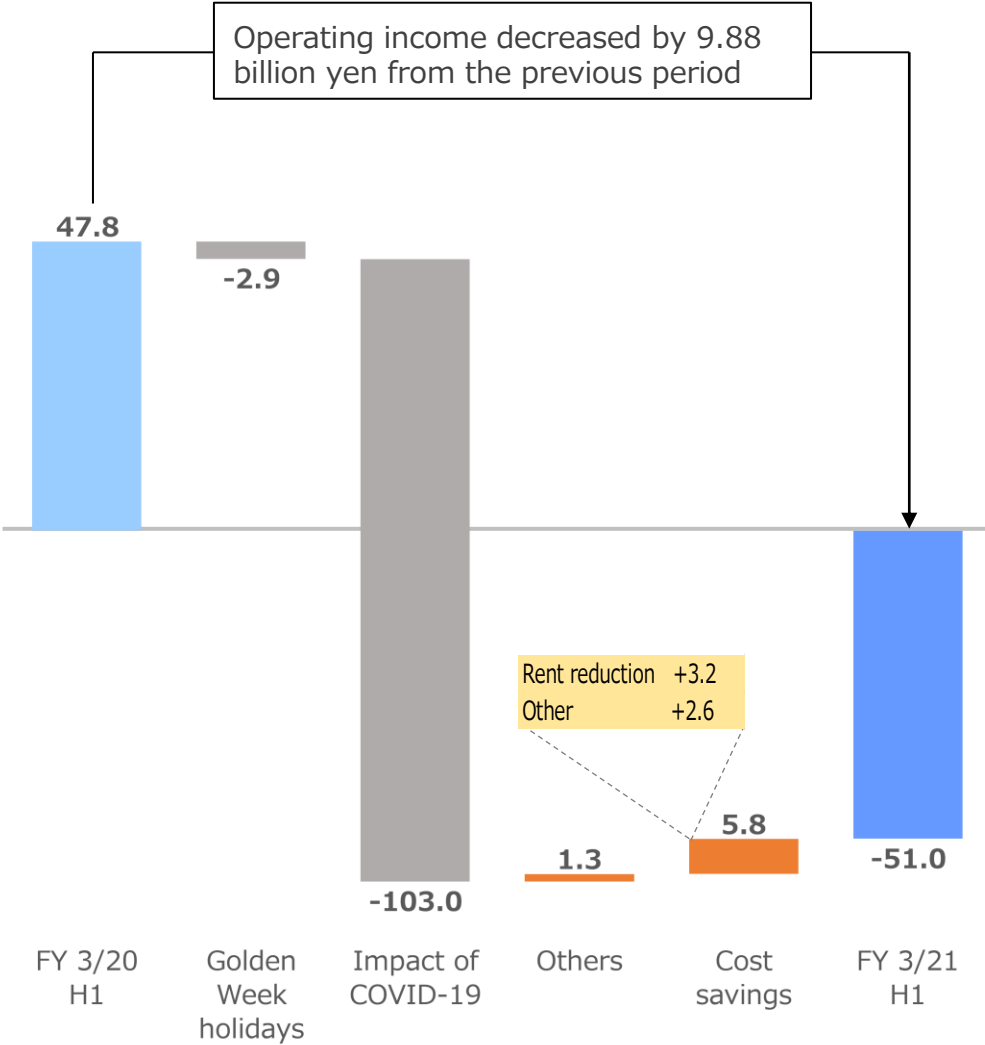
Net sales

Net sales decreased by 15.18 billion yen (60.2%) from the previous period

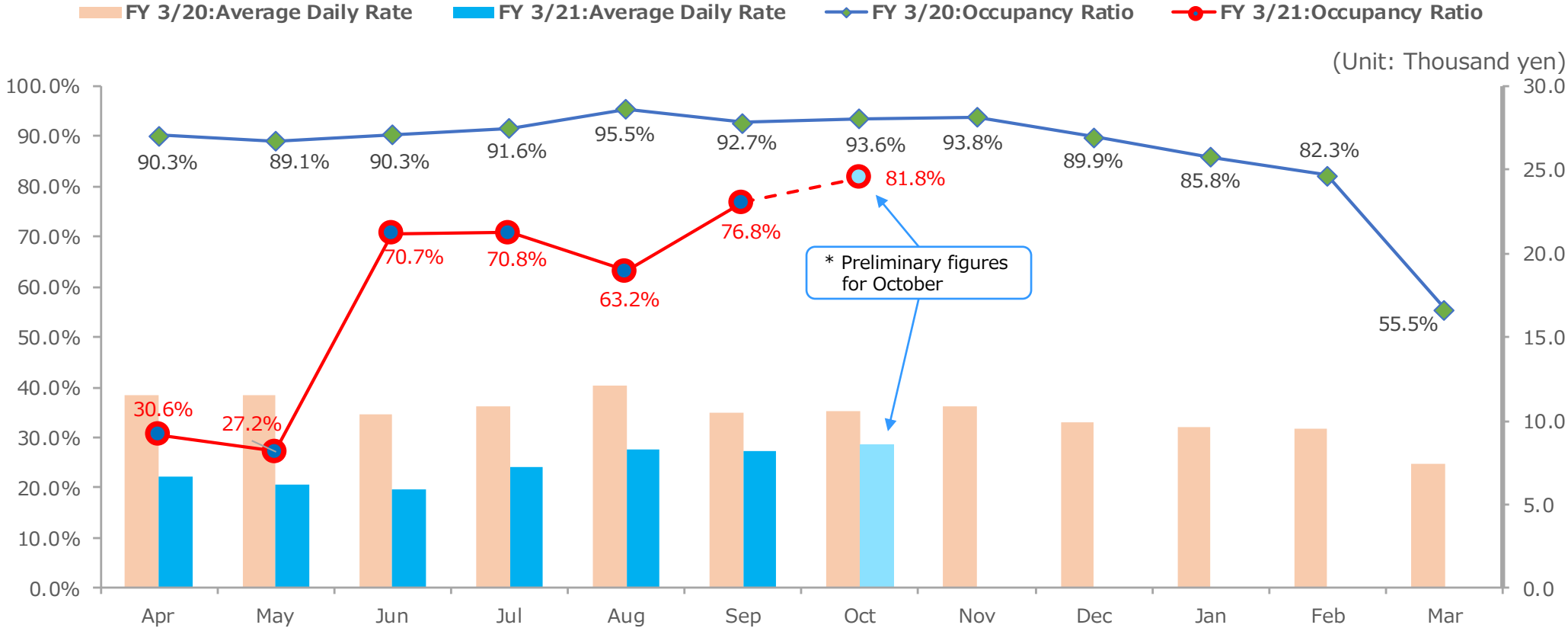


Operating income

Operating income decreased by 9.88 billion yen from the previous period



Dormy Inn Business: Monthly trends in Occupancy Ratio and Average Daily Rate



Occupancy Ratio

	Q1	Q2	H1	Q3	Q4	Annual cumulative total
FY 3/20(actual results)	89.9%	93.3%	91.6%	92.4%	74.3%	87.5%
FY 3/21(actual results)	42.7%	70.2%	57.2%			
YoY change	-47.2pp	-23.1pp	-34.4pp			

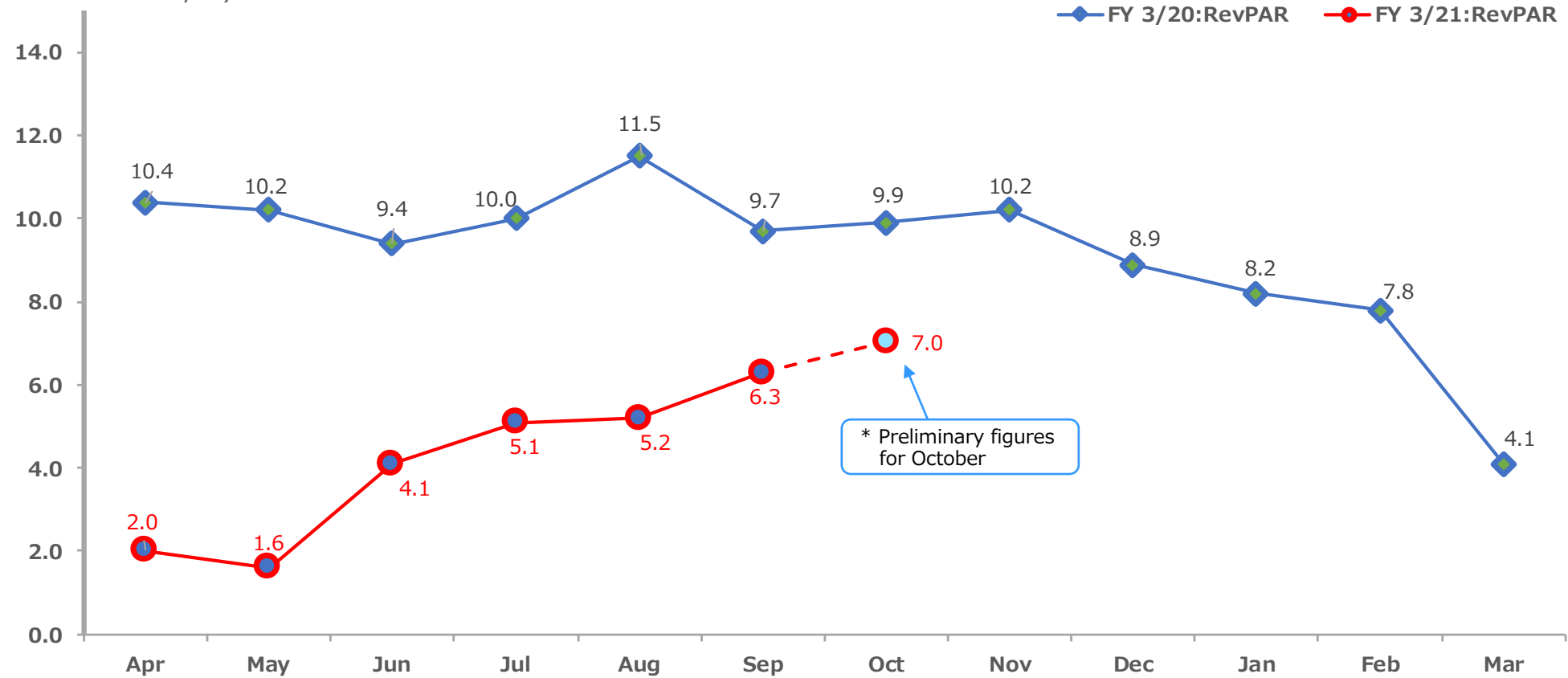
Average Daily Rate

	Q1	Q2	H1	Q3	Q4	Annual cumulative total
FY 3/20(actual results)	11.1	11.2	11.1	10.5	9.0	10.5
FY 3/21(actual results)	6.1	7.9	7.3			
YoY change	-4.9	-3.3	-3.8			

(Note) The table above shows figures not including hotels that opened in April 2019 or later (to enable comparison between the two periods under similar conditions)

Dormy Inn Business: RevPAR by month

(Unit: Thousand yen)



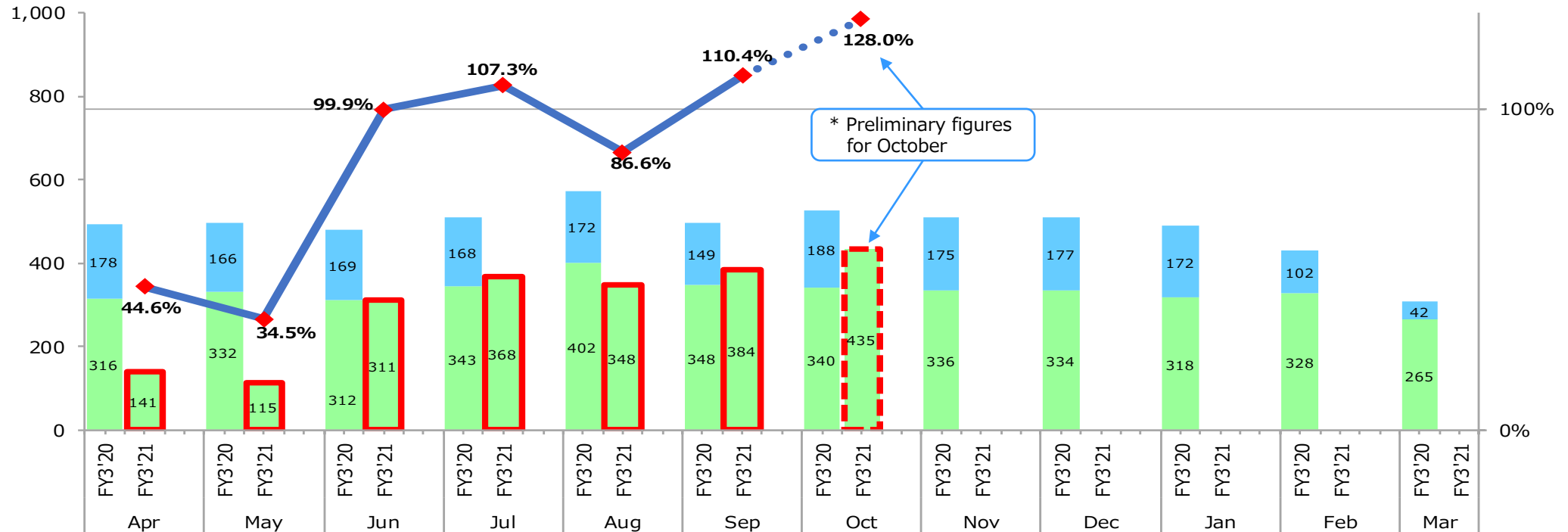
RevPAR	(Unit: Thousand yen)					
	Q1	Q2	H1	Q3	Q4	Annual cumulative total
FY 3/20(actual results)	10.0	10.4	10.2	9.7	6.7	9.2
FY 3/21(actual results)	2.6	5.5	4.1			
YoY change	-7.4	-4.9	-6.0			

(Note) The table above shows figures not including hotels that opened in April 2019 or later (to enable comparison between the two periods under similar conditions)

Dormy Inn Business: the number of guests of Dormy Inn

- The number of Inbound guests -Dormy Inn
- The number of Domestic guests -Dormy Inn
- The number of Domestic guests YOY - Dormy Inn

(Thousand guest nights)



The number of Domestic guests - Dormy Inn

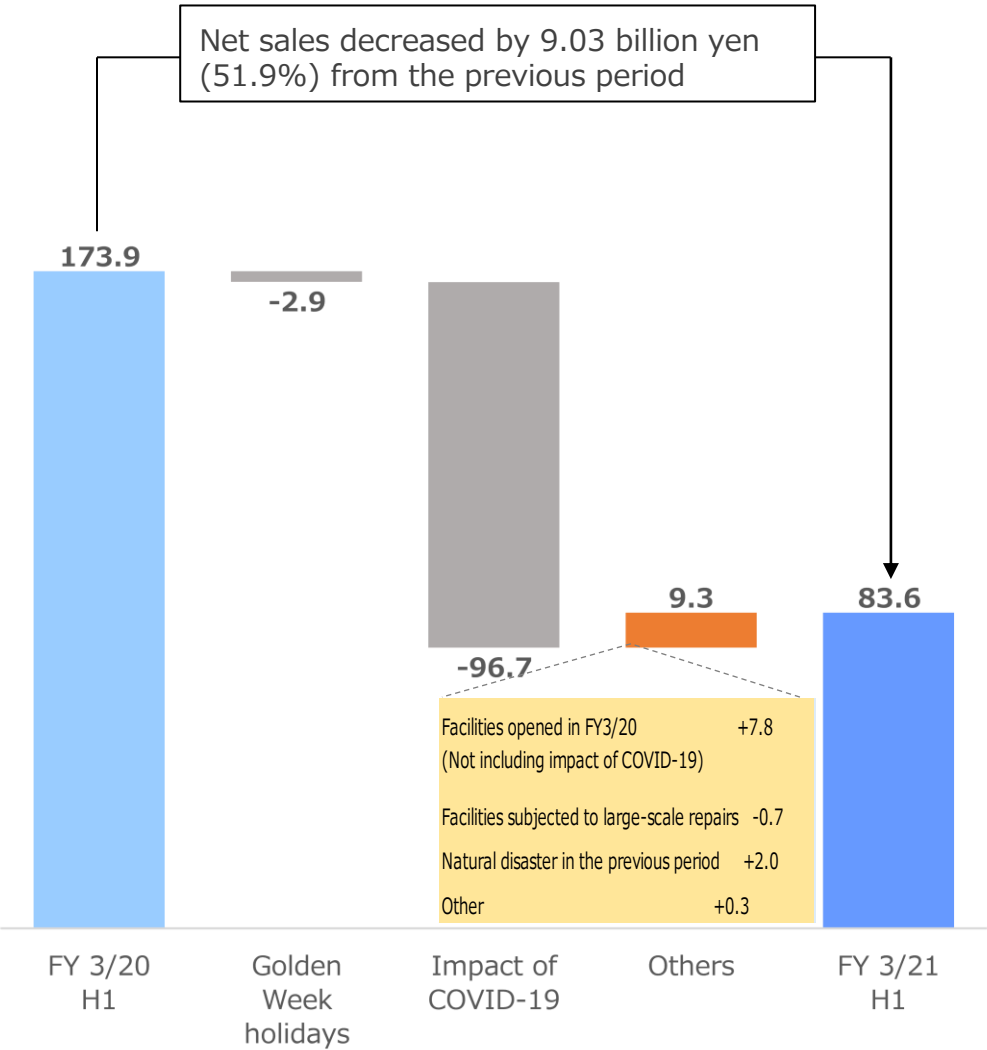
(Thousand guest nights)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Annual cumulative total
FY 3/20 (actual results)	316	332	312	343	402	348	340	336	334	318	328	265	3,974
FY 3/21 (actual results)	141	115	311	368	348	384	435						
YOY change	-175	-217	-0	+25	-54	+36	+95						
	44.6%	34.5%	99.9%	107.3%	86.6%	110.4%	128.0%						

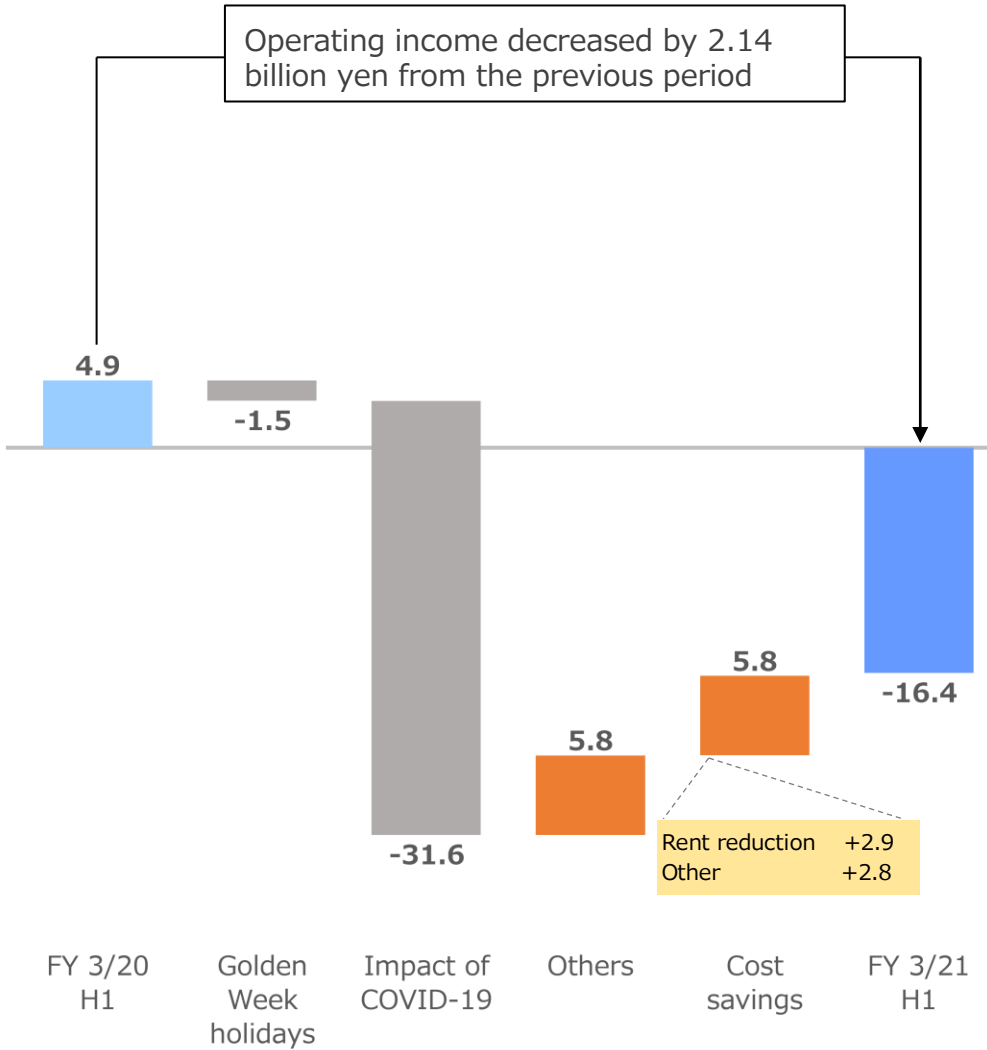
Resorts Business: FY 3/21 H1 Net sales and operating income

(Unit: 100 million yen)

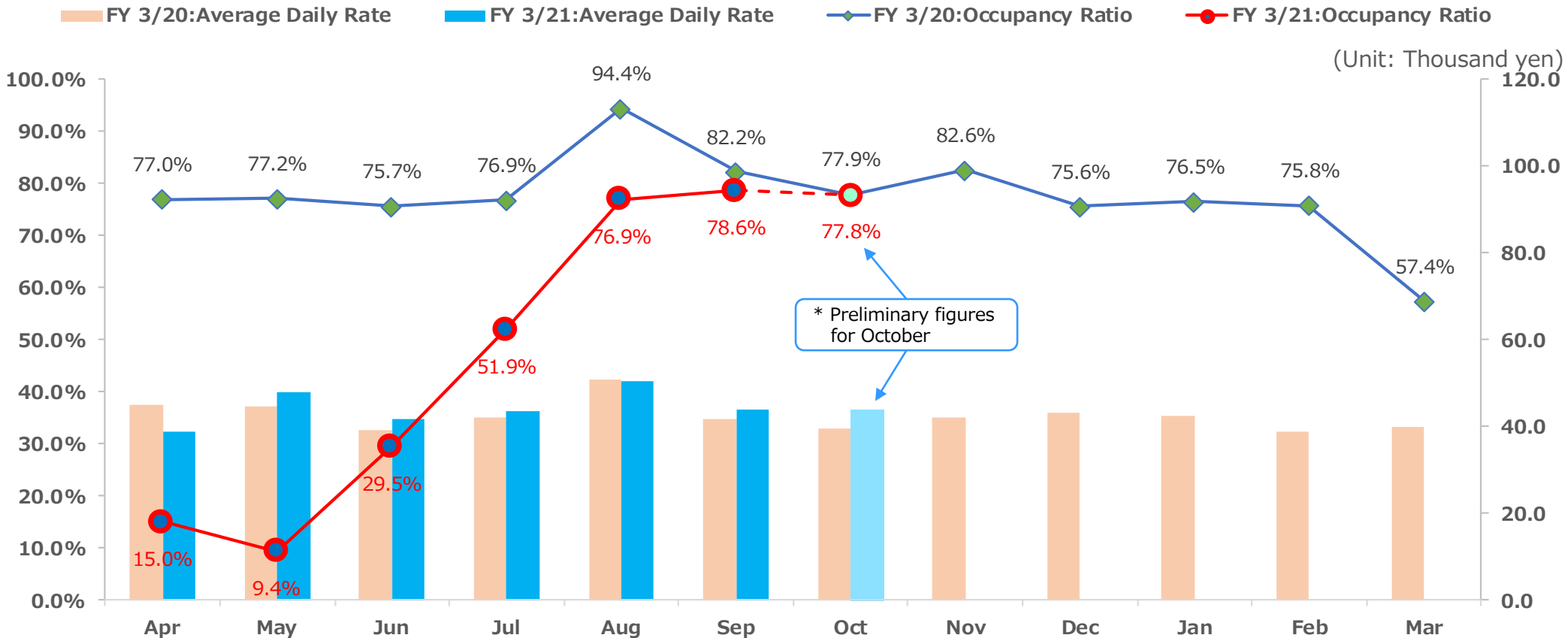
Net sales



Operating income



Resorts Business: Monthly trends in Occupancy Ratio and Average Daily Rate



Occupancy Ratio

	Q1	Q2	H1	Q3	Q4	Annual cumulative total
FY 3/20(actual results)	76.7%	84.6%	80.7%	78.7%	69.7%	77.4%
FY 3/21(actual results)	17.0%	69.4%	46.6%			
YoY change	-59.7pp	-15.2pp	-34.1pp			

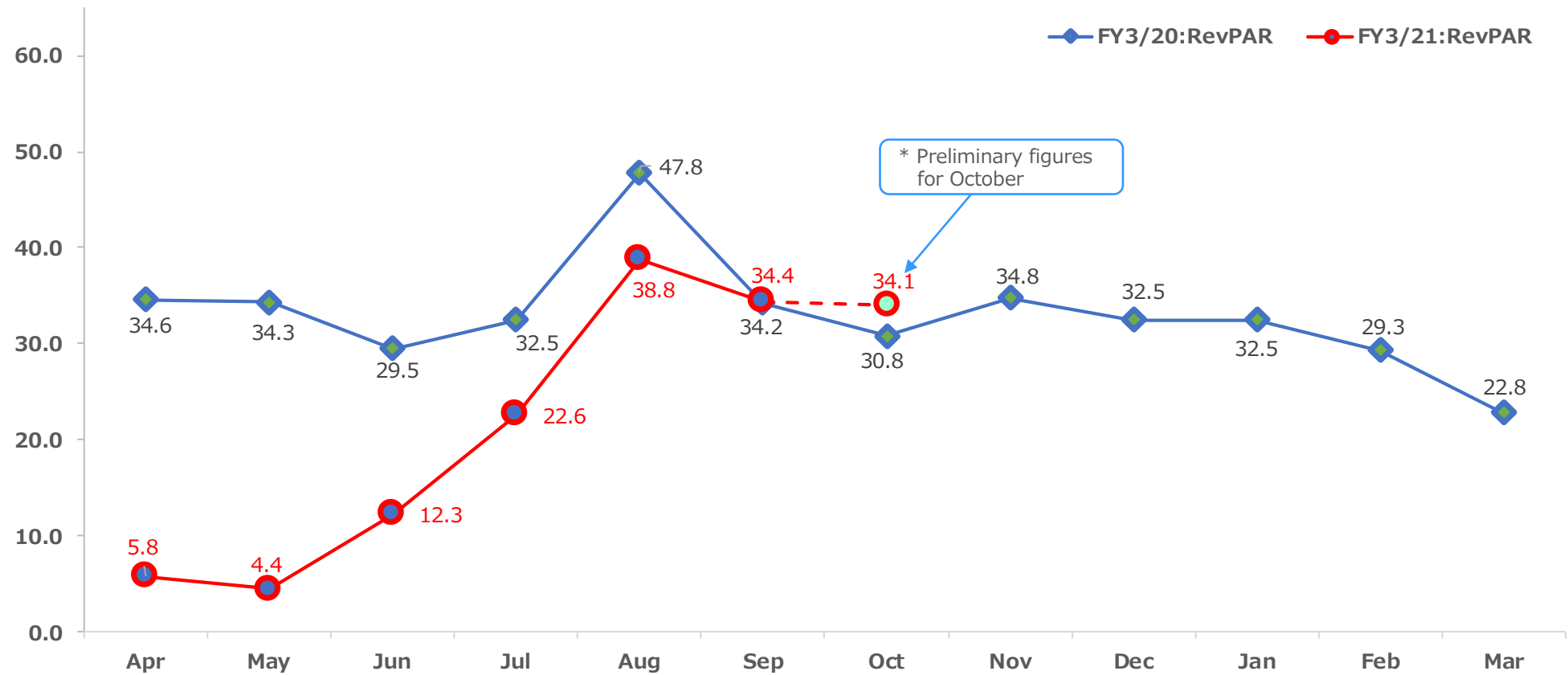
Average Daily Rate

	Q1	Q2	H1	Q3	Q4	Annual cumulative total
FY 3/20(actual results)	43.0	45.2	44.2	41.5	40.4	42.6
FY 3/21(actual results)	41.8	46.3	45.6			
YoY change	-1.1	+1.0	+1.3			

(Note) The table above shows figures not including hotels that opened in April 2019 or later (to enable comparison between the two periods under similar conditions)

Resorts Business: RevPAR by month

(Unit: Thousand yen)



RevPAR	(Unit: Thousand yen)					
	Q1	Q2	H1	Q3	Q4	Annual cumulative total
FY 3/20(actual results)	32.9	38.2	35.7	32.7	28.1	33.0
FY 3/21(actual results)	7.1	32.1	21.2			
YoY change	-25.8	-6.1	-14.4			

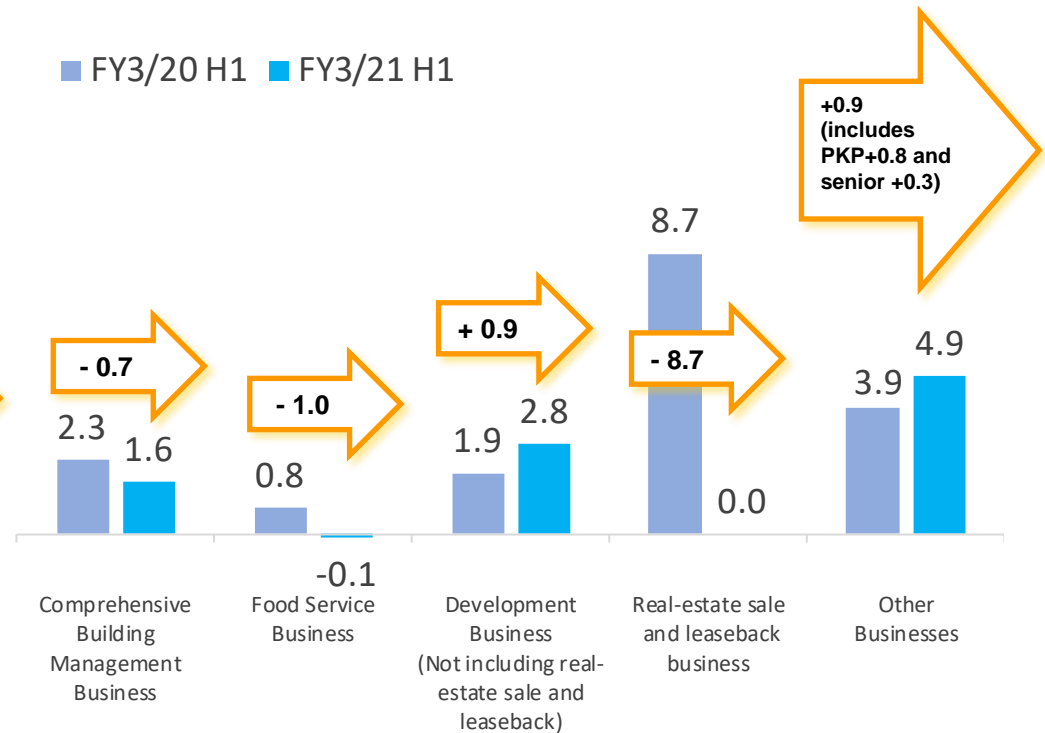
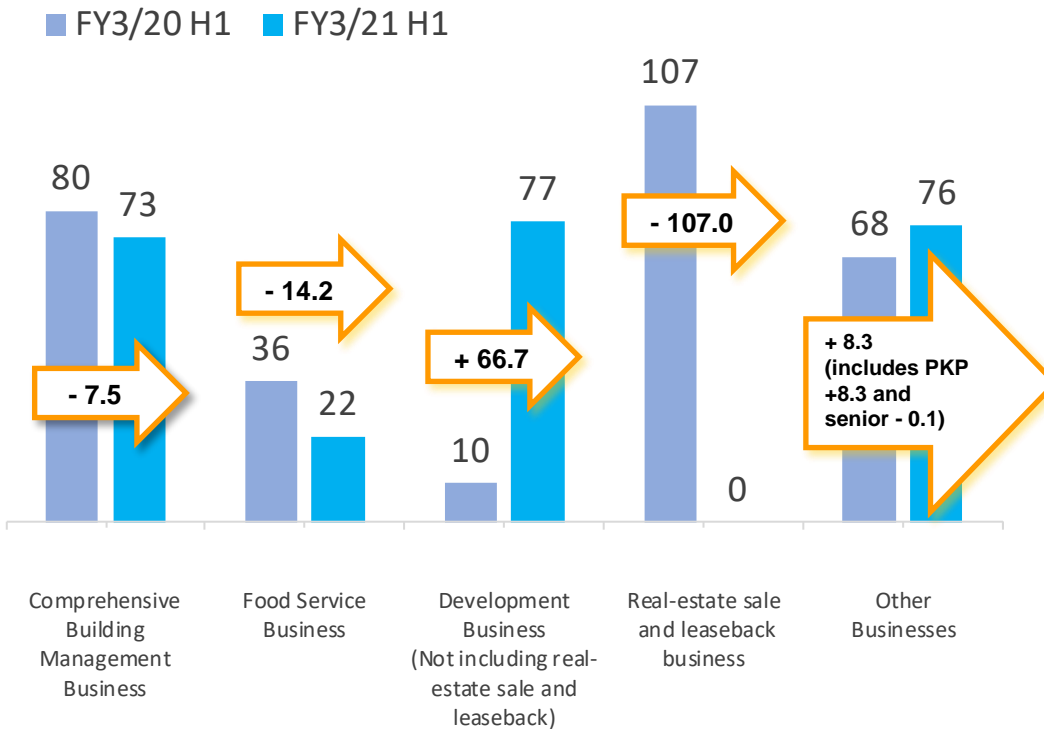
(Note) The table above shows figures not including hotels that opened in April 2019 or later (to enable comparison between the two periods under similar conditions)

Other Businesses: FY 3/21 H1 Net sales and operating income

(Unit: 100 million yen)

Net sales: Down 5.27 billion yen year on year

Operating income: Down 850 million yen year on year



Balance sheet

End of September 2019

Assets 208.9 billion yen	Liabilities 124.5 billion yen
Cash and deposits 20.4 billion yen	Interest-bearing debt 89.7 billion yen
	*Includes CB of 19.9 billion yen
Non-current assets 160.5 billion yen	Net assets 84.3 billion yen
	Treasury stock -0.3 billion yen

End of March 2020

Assets 217.0 billion yen (+8.1 billion yen)	Liabilities 133.1 billion yen (+8.5 billion yen)
Cash and deposits 18.3 billion yen (-2.1 billion yen)	Interest-bearing liabilities 93.0 billion yen (+3.3 billion yen)
	*Includes CB of 19.9 billion yen
Non-current assets 165.9 billion yen (+5.3 billion yen)	Net Assets 83.9 billion yen (-0.4 billion yen)
	Treasury shares -0.3 billion yen

End of September 2020

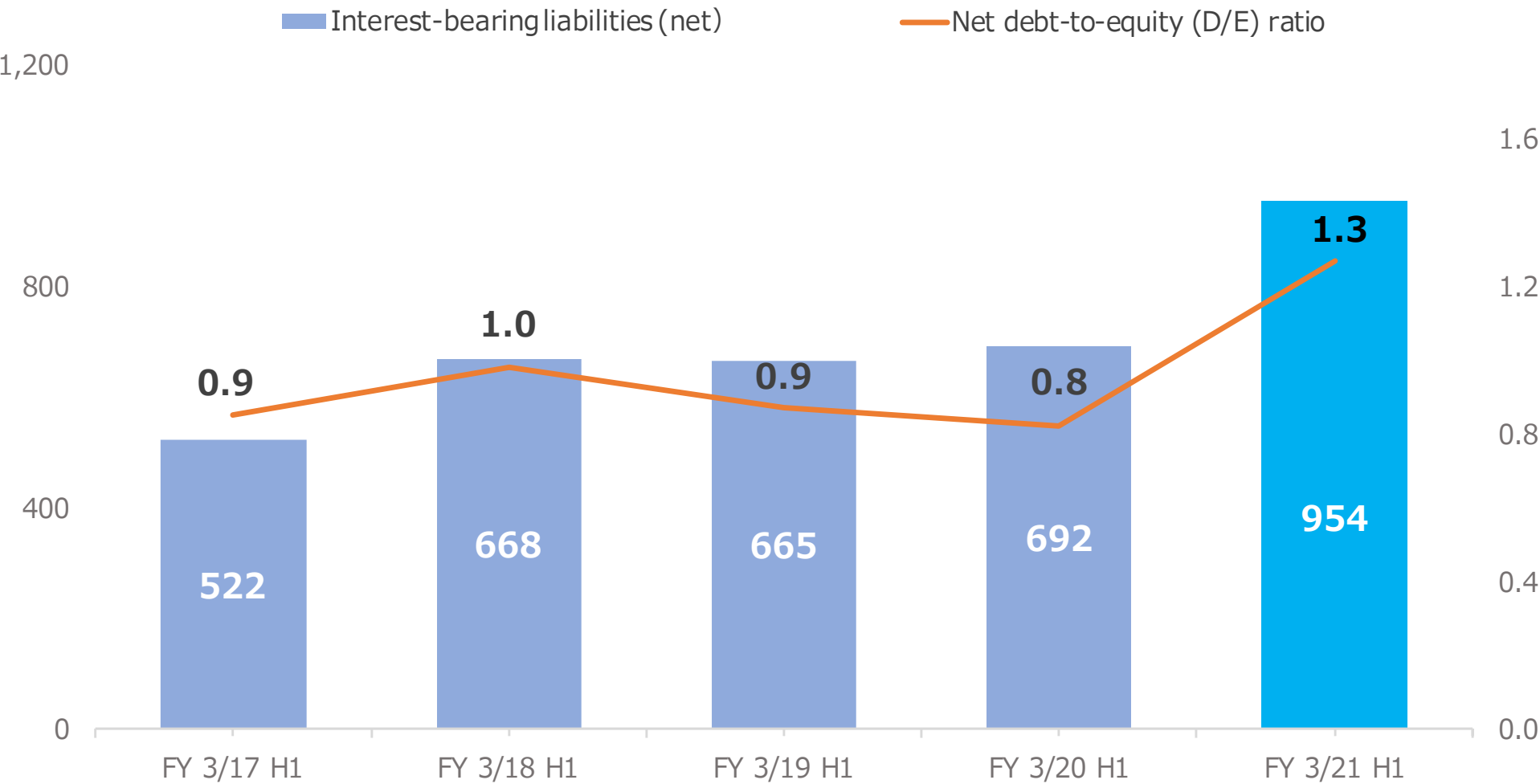
Assets 227.2 billion yen (+10.1 billion yen)	Liabilities 151.9 billion yen (+18.8 billion yen)
Cash and deposits 20.9 billion yen (+2.6 billion yen)	Interest-bearing debt 116.3 billion yen (+23.3 billion yen)
	*Includes CB of 19.9 billion yen
Non-current assets 170.0 billion yen (+4.1 billion yen)	Net assets 75.2 billion yen (-8.7 billion yen)
	Treasury stock -0.3 billion yen

Interest-bearing liabilities = Short-term loans payable + Current portion of bonds + Bonds + Long-term loans payable + Convertible bonds (CB)

Interest-bearing debt and Net D/E ratio

(Unit: 100 million yen)

(Times)



Projected results for FY 3/21



*Ogihama Hot Spring
Dormy Inn Kawasaki*



Yumegurinoyado
Katsuragawa at
Shuzenji Hot Springs

FY3/21 Consolidated Financial Forecast and KPIs

(Unit: 100 million yen)

	FY 3/20	FY 3/21	YoY change		Q1 Act	Q2 Act	H2 Forecast
	Act (2019/4-2020-3)	Forecast (2020/4-2021-3)			(2020/4-6)	(2020/7-9)	(2020/10-2021/3)
Net sales	1,697.7	1,320.0	-377.7	-22.2%	236.0	326.4	757.4
Operating income	112.0	-30.0	-142.0	-	-45.2	0.3	14.8
Ordinary income	124.9	-30.0	-154.9	-	-48.0	3.1	14.8
Net income	69.2	-68.0	-137.2	-	-64.2	-14.3	10.5
EPS (JPY)	177.6	-174.4	-352.1	-	-164.7	-36.7	27.0

Capital investment	226.3	Undecided	-	-	26.0	20.7	Undecided
Depreciation expense	52.6	53.5	+0.9	+1.8%	12.7	13.0	27.7
Cash flow*	121.8	-14.4	-136.3	-	-51.5	-1.2	38.3
Dividends per share (yen)	45.0	Undecided	-	-	-	-	Undecided
Payout ratio	25.3%	-	-	-	-	-	-

* Cash flow: Net profit + depreciation

Forecasts of consolidated business results for FY 3/21 (assumptions)

<Second-half results are expected to show further improvement from first-half profits due to the following factors>

- **Dormitory Business:** A gentle recovery is projected as schools move toward resumption of in-person classes.
- **Hotels Business:** Travel demand is projected to remain favorable due to factors including plans to extend the period of the “Go To” travel campaign and development of the Company’s own unique products. Our hotel occupancy rates and unit prices per room have continued steady recovering trends since October as well.
- **Other businesses:** The hotel cleaning and food service businesses are recovering thanks to increasing hotel occupancy rates.
- **Extraordinary profit/loss:** With an eye toward future growth, businesses are being revised in order to realize further structural enhancement, including closure of one facility in South Korea and of the Global Cabin business. Total losses from these measures along with those resulting from temporary closures to stop the spread of COVID-19 and other causes, are 4.8 billion yen.

Measures taken in response to COVID-19 for the FY 3/21

■ “Chokko Ofukubin” from home to the resort

- New lodging plans that include round-trip taxi transportation, jointly developed with taxi companies, have been introduced.
- These new plans help guests enjoy a relaxing trip by ensuring convenient door-to-door transportation.
- Lodging plans including dinner and breakfast that offer hot-springs bathing and luxurious meals at 26 facilities in a total of 16 areas across Japan.
(As of November 24, 2020) * **Subject areas and facilities are expanding steadily.**



- Use of Dormy Inn facilities for teleworking offices and long-term-stay plans to stop the spread of COVID-19 introduced
- Measures have been introduced to support school attendance in response to COVID-19 by lending funds to students interest free to lessen their economic burdens.

*Yururinoyu Natural
Hot Spring
Onyado Yuinosho*



Medium-term management plan



*Yumegurinoyado
Katsuragawa at Shuzenji
Hot Springs*

Main quantitative goals of the medium-term management plan (March 2018 – March 2022) and state of progress on them

The medium-term management plan now underway is being reviewed in response to the spread of COVID-19. These revisions will be announced as soon as they are ready.

Quantitative targets of the "Kyoritsu Jump Up Plan" medium-term management plan

Main quantitative goals	Results in FY 3/17, the starting point of the medium-term management plan	Progress as of FY 3/20	Results in FY 3/22, the final fiscal year of the medium-term management plan
Net sales	135.8 billion yen	169.7 billion yen (CAGR: +8%)	220 billion yen (CAGR: +10%)
Operating profit	11.8 billion yen	11.2 billion yen (CAGR: —)	19 billion yen (CAGR: +10%)
Net D/E Ratio	0.9 times	0.9 times	No greater than 1.0, the financial soundness target
Payout ratio	16.8%	25.3%	Gradually increasing, aiming for a target of more than 20%
ROE	11.7%	8.5%	10% or more
Development plans	Results in FY 3/17, the starting point of the medium-term management plan	Progress at the end of FY 3/21 H1 (FY 3/18 - FY 3/21 H1 cumulative)	End of FY 3/22, the final fiscal year of the medium-term management plan
Dormitory	37,000 rooms	- Development basis: 5,498 rooms - Projects on which the institutions already have made decisions: Approximately 7,300 rooms (progress rate: 104%)	7,000 rooms
Dormy Inn	10,200 rooms	- Development basis: 4,636 rooms - Projects on which the institutions already have made decisions: Approximately 9,000 rooms (progress rate: 100%)	9,000 rooms
Resorts	2,200 rooms	- Development basis: 659 rooms - Projects on which the institutions already have made decisions: Approximately 1,500 rooms (progress rate: 107%)	1,400 rooms

Dormitory and hotel development plans to realize sustained growth

	FY 3/18 Results		FY 3/19 Results		FY 3/20 Results		FY 3/21 Planned		FY 3/22 Planned	
Dormitories, Domeal	+10 facilities*	+963 rooms*	+14 facilities*	+1,780 rooms*	+15 facilities*	+1,574 rooms*	+15 facilities*	+1,181 rooms*	+23 facilities*	+1,886 rooms*
End of FY 3/17:	Number of facilities in operation at end of year	473 facilities	Number of facilities in operation at end of year	485 facilities	Number of facilities in operation at end of year	494 facilities	Number of facilities in operation at end of year	505 facilities	Number of facilities in operation at end of year	516 facilities
463 facilities/37,000 rooms	Leasing rate	88.5%	Leasing rate	88.5%	Leasing rate	87.6%	Leasing rate	87.8%	Leasing rate	87.3%
Medium-term plan: 7,000 rooms	Number of rooms in operation at end of year	38,166 rooms	Number of rooms in operation at end of year	39,450 rooms	Number of rooms in operation at end of year	40,633 rooms	Number of rooms in operation at end of year	41,567 rooms	Number of rooms in operation at end of year	42,630 rooms
Projects on which the institutions already have made decisions Around 7,300 rooms Progress rate 104%	Noda ANNEX, [L]Senjunakamachi, [L]Tsunashimaekimae, Higashiosaka, [L]Maihama, [L]Minamikoshigaya, [L]Irinaka II, [L]Koroen, and others.		[L]Waseda, [L]Hikifune, [L]Keiotsunashima, [L]Tsurugashima, Omoromachi, [L]Kaihinmakuhari, [L]Tokorozawa, [L]Hakataekiminami II, [L]Kokuraekimae, and others.		[L]Sendai Higashiguchi V, [L]Motoyama, [L]Osaka Tenma, [L]Kagoshima, [L]Kobe, [L]Ichigaya, [L]Komagome, Meiji University Global Village, [L]Setagaya Todoriki, and others		[L]Hokudai Avenue, [L]Nippori, [L]Sendai Tsutsujigaoka, [L]Nagakute, [L]Hamadayama, [L]Komazawa Koen, [L]Esaka Koen, [L]Azabu-Juban, [L]Hyakumanben Annex, [L]Yokohama-Nishi, and others		[L]Sakado II, Niigata II, [L]Kyoto-Kuinabashi, [L]Iriya, [L]Hirao-Ekimae, [L]Kameari, [L]Setagaya Todoroki, [L]Sapporo kita 14-jo, and others	
Dormy Inn	+9 facilities*	+1,571 rooms*	+9 facilities*	+1,530 rooms*	+7 facilities*	+1,535 rooms*	+7 facilities*	+1,797 rooms*	+13 facilities*	+2,694 rooms*
End of FY 3/17:	Number of facilities in operation at end of year	72 facilities	Number of facilities in operation at end of year	80 facilities	Number of facilities in operation at end of year	87 facilities	Number of facilities in operation at end of year	89 facilities	Number of facilities in operation at end of year	102 facilities
63 facilities/10,200 rooms	Leasing rate	98.8%	Leasing rate	98.9%	Leasing rate	99.0%	Leasing rate	99.1%	Leasing rate	99.2%
Medium-term plan: 9,000 rooms	Number of rooms in operation at end of year	11,811 rooms	Number of rooms in operation at end of year	13,248 rooms	Number of rooms in operation at end of year	14,783 rooms	Number of rooms in operation at end of year	15,941 rooms	Number of rooms in operation at end of year	18,635 rooms
Projects on which the institutions already have made decisions Around 9,000 rooms Progression rate 100%	[L]PREMIUM Kanda, [L]Miyazaki, [L]global cabin Suidobashi, [L]Kofumarunouchi, [L]Izumo, [L]EXPRESS Sendai-Seaside, [L]Nono Nara, [L]Kochi, [L]Matsuyama		[L]Honhachinohe, [L]Osakatanimachi, [L]Korakuen, [L]Oita, [L]global cabin Hamamatsu, [L]global cabin Yokohamachukagai, [L]Takamatsuchuoekimae, [L]PREMIUM Namba ANNEX, [L]PREMIUM Osakakihama		[L]Maebashi, [L]Fukui, [L]Morioka, [L]Nono Asakusa, [L]Kawasaki, [L]Furano, [L]Mito		[L]Nono Kyoto-Shichijo, [L]Kobe, [L]PREMIUM Ginza, [L]Ikebukuro, [L]Nagasaki-Ekimae, [L]Toyohashi, [L]Nono Kanazawa		[L]Gotemba, [L]Nono Matsumoto, [L]Nono Sendai, [L]Fukuyama [L]Tokyo Bay (Toyosu), [L]Hiroshima ANNEX, [L]Aomori, [L]NonoYodoyabashi, [L]Okayama, [L]Nono Matsue, [L]Nono Kumamoto, [L]Yokohama, [L]Nono Asakusa Bettei,	
Resorts	+4 facilities*	+253 rooms*	+2 facilities*	+171 rooms*	+3 facilities*	+235 rooms*	+6 facilities*	+486 rooms*	+4 facilities*	+407 rooms*
End of FY3/17:	Number of facilities in operation at end of year	29 facilities	Number of facilities in operation at end of year	31 facilities	Number of facilities in operation at end of year	34 facilities	Number of facilities in operation at end of year	39 facilities	Number of facilities in operation at end of year	43 facilities
25 facilities/2,200 rooms	Leasing rate	58.7%	Leasing rate	60.2%	Leasing rate	61.6%	Leasing rate	60.9%	Leasing rate	69.4%
Medium-term plan: 1,400 rooms	Number of rooms in operation at end of year	2,478 rooms	Number of rooms in operation at end of year	2,649 rooms	Number of rooms in operation at end of year	2,884 rooms	Number of rooms in operation at end of year	3,341 rooms	Number of rooms in operation at end of year	3,748 rooms
Projects on which the institutions already have made decisions Around 1,500 rooms Progression rate 107%	Keiun (Izumo), Tsukiyo no Usagi (Izumo), [L]Le Chien Kyu-Karuizawa, [L]Suiun (Gora)		[L]La Vista Kirishima (Kagoshima), [L]Shirakawago (Gifu)		[L]Echigoyuzawa (Niigata), [L]Kotohira (Kagawa), Inazumi (Akita)		[L]La Vista Kusatsu (Gunma), [L]Nasu-Shiohara Rengetsu (Tochigi), [L]Wakura Hot Spring (Ishikawa), Kikuya Bettei Suigetsu (Shizuoka), and others		[L]Kawazu Hot Spring (Shizuoka), [L]Kyoto Umekoji, [L]La Vista Hakodate Bay ANNEX, [L]Jozankei	
Companywide leasing rate	89.4%		89.7%		89.2%		89.3%		89.7%	

Note: While as noted above development is proceeding during the period of the medium-term management plan, the timing of opening for business could vary depending on COVID-19 conditions.

* Indicates numbers of increases in facilities and rooms from development projects (does not indicate numbers of increases from the end of the previous year for facilities and rooms in operation at the end of the year)

Note: "L" indicates a leased facility; underlines indicate real-estate sale and leaseback projects including future plans

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