



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

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

[JGAAP]

February 2021



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

February 9, 2021

Name of listed company Kyoritsu Maintenance Co., Ltd. Listed exchange: Tokyo
 Code 9616 URL <https://www.kyoritsugroup.co.jp/>
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 Scheduled date of submittal of Securities Report February 12, 2021
 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 third quarter of the term ending March 31, 2021 (April 1, 2020 to December 31, 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	%
Q3 of term ending March 2021	91,343	-31.4	-3,744	—	-3,753	—	-7,653	—
Q3 of term ended March 2020	133,097	7.4	12,222	1.5	12,149	3.3	8,184	2.6

(Note) Comprehensive income Q3 of term ending March 2021 -7,540 Million yen (—%) Q3 of term ended March 2020 8,051 Million yen (3.5%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
Q3 of term ending March 2021	-196.29	—
Q3 of term ended March 2020	209.91	—

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
As of Dec. 31, 2020	229,040	75,130	32.8	1,926.90
As of Mar. 31, 2020	217,086	83,954	38.7	2,153.24

(Reference) As of Dec. 31, 2020 75,130 Million yen As of Mar. 31, 2020 83,954 Million yen
 Shareholders' equity

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	—	10.00	—		
FY ending March 2021 (projected)				—	—

Note: Revision from most recently announced dividends projections: None

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

(Percentages represent rates of change from the previous year)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent		Net profits per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full business year	132,000	-22.2	-3,000	—	-3,000	—	-6,800	—	-174.40

(Note) Have the most recently announced earnings forecast been revised Y/N? None.

*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 11 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 ① 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)	As of Dec. 31, 2020	39,219,653 shares	As of Mar. 31, 2020	39,218,826 shares
② Number of shares of treasury stock at the end of the period	As of Dec. 31, 2020	229,306 shares	As of Mar. 31, 2020	228,844 shares
③ Average number of shares during the quarter (cumulative through the quarter)	Q3 of term ending March 2021	38,990,303 shares	Q3 of term ending March 2020	38,990,401 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 6 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

Japan's economy during this third quarter consolidated cumulative period experienced increasing downward pressure due to the massive impact of the global spread of COVID-19. While there were signs of an economic recovery as economic activities resumed in stages after the state of emergency in Japan was released on May 25, 2020, as the virus began to spread again in December the future outlook became increasingly uncertain, as for example various restrictions on activities were strengthened.

The Group's Dormitory Business started the year down slightly, with an initial occupancy rate of 93.7%, as a result of factors such as international students from abroad postponing their arrivals in Japan due to COVID-19. Despite factors such as a dramatic decrease in inbound tourism, the pace of recovery in the Hotel Business began to accelerate in June and later as domestic demand started to rise and the "Go To Travel Campaign" had a positive effect. Despite some effects of the new wave of COVID-19 in December, in the third quarter consolidated accounting period of this fiscal year the Group as a whole continued its recovering trend, which improved further from the second-quarter recovery that followed the losses recorded in the first quarter.

As a result of the above factors, operating results in this third quarter consolidated cumulative period show net sales of 91,343 million yen (down 31.4%YoY), operating loss of 3,744 million yen (vs. income of 12,222 million yen in the same period of last year and income of 742 million yen in the third quarter consolidated accounting period of this fiscal year), and ordinary loss of 3,753 million yen (vs. income of 12,149 million yen in the same period of last year and income of 733 million yen in the third quarter consolidated accounting period of this fiscal year). After reviewing our business and to further consolidate our business structure with future growth in mind, we have shut down one of our South Korean operations and the 'global cabin' (simplified hotel chain). Due to factors such as the accompanying extraordinary loss, quarterly net loss attributable to owners of the parent was 7,653 million yen (vs. income of 8,184 million yen in the same period of last year and income of 203 million yen in the third quarter consolidated accounting period of this fiscal year).

While recent developments such as the reinstatement of a state of emergency in response to COVID-19 are having a not inconsiderable impact, we are implementing thorough measures to stop the spread of the virus and steadily securing funding to meet expected needs. The entire Group will continue working together as one to move forward steadily as hard as we can without succumbing to this difficult challenge.

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. Subsequently, some companies have started training their new employees with staggered timing and some in-person classes for university students have resumed at universities. However, restoring the number of international students coming into Japan will take some time and no recovery in this area is yet emerging, following the negative occupancy at the start of the period.

As a result, net sales in this segment were 34,327 million yen (down 7.3% YoY) and its operating income was 3,489 million yen (down 36.2% YoY).

As part of efforts to provide economic support to students residing in dormitories in response to COVID-19, we have begun accepting applications for "the COVID-19 school support program" of interest-free loans for dormitory costs and "the single-occupant support program" that enables young people starting new careers and students searching for employment to live in dormitories at special rates.

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. Since June, however, usage rates have rapidly recovered thanks to the "Go To Travel Campaign" and other measures implemented by national and local governments, as well as our new products, including measures to combat COVID-19 infections.

The occupancy rate in the Dormy Inn Business shows a recovering trend on a nationwide average basis, although some time will be needed before rates to recover in major urban areas such as Osaka that had depended on large numbers of inbound guests. The number of domestic guests has been up YoY since September. Together with aiming for a swift recovery, we will continue promoting sales of new products such as "tomareru office" plans for teleworking where you can stay overnight, which include hot-spring accommodations and meals, and residential hotel plans for long-term stays, in response to COVID-19.

In the Resorts Business, in addition to the effects of the "Go To Travel Campaign," sales promotion efforts for new

products, such as lodging plans targeting domestic travelers that include round-trip taxi transportation, have borne fruit, and even though the "Go To Travel Campaign" was suspended temporarily at the end of the year in response to the new wave of COVID-19 cases, the recovering trend has continued from the second quarter, and unit prices per room were up YoY.

As a result of the above factors, net sales were 36,278 million yen (down 42.6% YoY) and operating loss was 6,392 million yen (vs. income of 7,400 million yen in the same period of last year).

③ Comprehensive Building Management Business

In the Comprehensive Building Management Business, factors such as partial delays and decreases in remodeling construction work led to net sales of 11,420 million yen (down 6.3% YoY) and operating income of 274 million yen (down 20.3% YoY).

④ Food Service Business

The effects of the COVID-19 pandemic on the Food Service Business included decreased operation of hotel restaurants and temporary closure of restaurants to stop the spread of the virus. As a result, this business's net sales were 4,146 million yen (down 25.8% YoY) and its operating income was 22 million yen (down 82.0% YoY).

⑤ Development Business

Development Business net sales were 8,994 million yen (down 43.4% YoY), while operating income was 355 million yen (down 67.8% YoY), mainly because the Company did not securitize real estate during this period.

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 business for people who live alone, the insurance agency business, comprehensive human-resource service business, the financial business, and the administrative outsourcing business. Thanks to factors including steady improvements in earnings of the Senior Life Business and the PKP Business, net sales in this segment were 11,573 million yen (up 14.8% YoY) and its operating income was 565 million yen (up 54.9% YoY).

(2) Explanation of Financial State

(Assets)

Total assets at the end of the third quarter of this consolidated fiscal year stood at 229,040 million yen, up 11,954 million yen from the end of the previous consolidated fiscal year. Main causes of this increase included growth in notes and accounts receivable-trade, real estate for sale, and construction in progress.

(Liabilities)

Liabilities at the end of the third quarter of this consolidated fiscal year stood at 153,910 million yen, up 20,778 million yen from the end of the previous consolidated fiscal year. This was due mainly to factors such as an increase in short-term loans payable.

(Net assets)

Net assets at the end of the third quarter of this consolidated fiscal year stood at 75,130 million yen, down 8,824 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 5.9 percentage points from the end of the previous consolidated fiscal year, to 32.8%.

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

Our full-year earnings forecast for the fiscal year ending March 2021 is unchanged at present from the forecast announced November 9, 2020, since although currently the recovering trend from the second quarter is continuing future prospects are uncertain due to the impact of the reinstatement of a state of emergency in response to COVID-19 on January 7, 2021, its subsequent extension, and other factors.

If there is a need for any revisions to the forecast as a result of any future developments that could impact Group results, including the state of COVID-19, they will be announced promptly.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Previous consolidated fiscal year (March 31, 2020)	Third quarter consolidated accounting period of this fiscal year (December 31, 2020)
Assets		
Current assets		
Cash and deposits	18,303	19,187
Notes and accounts receivable-trade	11,057	13,377
Real estate for sale	211	11,055
Real estate for sale in process	11,518	3,008
Costs on uncompleted construction contracts	256	307
Other	9,290	9,120
Allowance for doubtful accounts	-46	-51
Total current assets	50,590	56,005
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,607	47,015
Land	44,509	45,916
Construction in progress	13,805	18,247
Other, net	3,527	3,561
Total property, plant and equipment	109,450	114,741
Intangible fixed assets	3,918	3,900
Investments and other assets		
Investment securities	4,761	4,299
Guarantee deposits	17,337	16,336
Lease deposits	16,226	16,444
Other	14,394	16,971
Allowance for doubtful accounts	-184	-184
Total investments and other assets	52,535	53,866
Total noncurrent assets	165,904	172,508
Deferred assets	591	527
Total assets	217,086	229,040

(Unit: million yen)

	Previous consolidated fiscal year (March 31, 2020)	Third quarter consolidated accounting period of this fiscal year (December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,124	8,835
Short-term loans payable	12,034	31,907
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	19,987
Income taxes payable	1,900	1,410
Provision for bonuses	2,103	334
Provision for directors' bonuses	404	88
Provision for warranties for completed construction	9	0
Provision for point card certificates	6	0
Other	19,225	19,530
Total current liabilities	71,080	87,376
Noncurrent liabilities		
Bonds payable	33,820	30,680
Long-term loans payable	21,922	29,152
Provision for directors' retirement benefits	251	252
Provision for point card certificates	0	0
Net defined benefit liability	1,140	1,215
Other	4,915	5,233
Total noncurrent liabilities	62,050	66,533
Total liabilities	133,131	153,910
Shareholders' equity		
Shareholders' equity		
Capital stock	7,961	7,964
Capital surplus	12,817	12,820
Retained earnings	64,281	55,342
Treasury stock	-355	-356
Total shareholders' equity	84,706	75,769
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-117	-33
Foreign currency translation adjustment	-597	-575
Remeasurements of defined benefit plans	-36	-30
Total accumulated other comprehensive income	-751	-639
Total net assets	83,954	75,130
Total liabilities and net assets	217,086	229,040

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

(Unit: million yen)

	Third quarter consolidated cumulative period of the previous fiscal year (From April 1, 2019 to December 31, 2019)	Third quarter consolidated cumulative period of this fiscal year (From April 1, 2020 to December 31, 2020)
Net sales	133,097	91,343
Cost of sales	103,431	81,123
Gross profit	29,665	10,220
Selling, general, and administrative expenses	17,443	13,964
Operating income (loss)	12,222	-3,744
Non-operating income		
Interest	56	57
Dividend income	85	52
Subsidy income	15	655
Settlement payment received	80	—
Other	169	258
Total non-operating income	407	1,022
Non-operating expenses		
Interest expenses	259	339
Costs of responding to novel infectious diseases	—	421
Other	220	270
Total non-operating expenses	480	1,031
Ordinary income (loss)	12,149	-3,753
Extraordinary income		
Gain on sales of investment securities	217	—
Subsidy income	—	153
Other	2	—
Total extraordinary income	219	153
Extraordinary loss		
Losses from temporary closures etc.	—	2,886
Loss from stores closing	—	2,145
Loss from disasters	23	—
Loss on valuation of golf club membership	5	—
Other	—	43
Total extraordinary loss	28	5,074
Quarterly net income (loss) before taxes	12,340	-8,674
Income taxes	4,155	-1,021
Quarterly net income (loss)	8,184	-7,653
Quarterly net income (loss) attributable to owners of the parent	8,184	-7,653

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

(Unit: million yen)

	Third quarter consolidated cumulative period of the previous fiscal year (From April 1, 2019 to December 31, 2019)	Third quarter consolidated cumulative period of this fiscal year (From April 1, 2020 to December 31, 2020)
Quarterly net income (loss)	8,184	-7,653
Other comprehensive income		
Valuation difference on available-for-sale securities	-46	83
Foreign currency translation adjustment	-81	21
Remeasurements of defined benefit plans	-4	6
Total other comprehensive income	-132	112
Quarterly comprehensive income	8,051	-7,540
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	8,051	-7,540

(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 third 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. Third quarter consolidated cumulative period of the previous fiscal year (April 1, 2019 to December 31, 2019)

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

(Unit: million 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				
Net sales										
Net sales to external customers	36,800	63,059	5,507	1,066	17,002	123,434	9,662	133,097	—	133,097
Internal sales or transfers between segments	245	112	6,681	4,518	-1,102	10,454	420	10,874	-10,874	—
Total	37,045	63,171	12,188	5,584	15,899	133,889	10,082	143,972	-10,874	133,097
Segment profit or loss (-)	5,466	7,400	344	123	1,104	14,439	364	14,804	-2,582	12,222

(Note) 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 business for people who live alone, the insurance agency business, comprehensive human-resource service business, the financial business, and the administrative outsourcing business.

2. The adjustment amount of -2,582 million yen on segment profit (loss) reflects -211 million yen in cancellation of inter-segment transactions and -2,370 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. Third quarter consolidated cumulative period of this fiscal year (April 1, 2020 to December 31, 2020)

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

(Unit: million 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				
Net sales										
Net sales to external customers	34,079	36,208	5,180	518	4,140	80,126	11,216	91,343	—	91,343
Internal sales or transfers between segments	247	69	6,239	3,628	4,854	15,039	357	15,396	-15,396	—
Total	34,327	36,278	11,420	4,146	8,994	95,166	11,573	106,740	-15,396	91,343
Segment profit or loss (-)	3,489	-6,392	274	22	355	-2,252	565	-1,686	-2,057	-3,744

(Note) 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 business for people who live alone, the insurance agency business, comprehensive human-resource service business, the financial business, and the administrative outsourcing business.

2. The adjustment amount of -2,057 million yen on segment profit (loss) reflects -325 million yen in cancellation of inter-segment transactions and -1,731 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