



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

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

[JGAAP]

Aug 2021

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

Aug 6, 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 filing date of Quarterly Report: Aug 12, 2021
 Scheduled date of start of dividend payment: –
 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 quarter of the fiscal year ending March 31, 2022 (April 1, 2021 to June 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 three months ended June 30, 2021	29,643	25.6	-4,054	—	-3,636	—	-2,799	—
The three months ended June 30, 2020	23,608	-44.0	-4,521	—	-4,805	—	-6,423	—

(Note) Comprehensive income: The three months ended June 30, 2021: -2,813 million yen (–%)
 The three months ended June 30, 2020: -6,383 million yen (–%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
The three months ended June 30, 2021	-71.80	—
The three months ended June 30, 2020	-164.75	—

(Note) Diluted net income per share is omitted since the Company recorded net loss per share for this first quarter 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 June 30, 2021	229,384	67,580	29.5	1,733.27
As of March 31, 2021	239,032	70,784	29.6	1,815.45

(Reference) Shareholders' Equity: As of June 30, 2021: 67,850 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	—	—	—	—	—
Year ending March 31, 2022 (Forecast)	—	10.00	—	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	174,500	43.9	4,000	—	3,400	—	1,600	—	41.04

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

*Notes

- (1) Changes in major subsidiaries during the period under review (changes in specific subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: Yes
 (Note) For details, please see “(3) 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 12.
- (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 June 30, 2021	39,219,818 shares	Year ended March 31, 2021	39,219,818 shares
As of June 30, 2021	229,733 Shares	Year ended March 31, 2021	229,475 shares
As of June 30, 2021	38,990,194 shares	As of June 30, 2020	38,989,881 shares

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares during the period

*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 are posted on the Company website.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the first quarter of the current fiscal year, the outlook for the Japanese economy remained uncertain due to the reissuance of the State of Emergency, etc., despite the expected effects of various measures such as the start of vaccinations amid the prolonged effects of the new COVID-19 virus infection.

The Group suffered significant damage in each of its businesses due to the prolonged spread of COVID-19, and repeated issuances of the State of Emergencies by the national and local governments, as well as measures to curb the flow of people, including priority measures to prevent the spread of the virus. Under these circumstances, the Group has continued to implement thorough measures to prevent the spread of the COVID-19 (temperature inspection, disinfection, and implement photocatalyst and non-contact measures), and have also worked to reduce variable costs by implementing temporary closures and shortened business hours at some of the Group's hotels and restaurants, as well as utilizing support systems such as employment adjustment subsidies. In addition, as part of the financial support for dormitory residents, the Group has continued to implement "the Program to Support School Attendance under COVID-19 (interest-free loans for dormitory fees)" and launched new products such as "WORK PLACE DORMY (offices and hotels where you can stay and live)" and a comprehensive membership program "Kyoritsu General Corporate Membership Program:Shiki Club."

As a result, operating results in this first quarter of this consolidated fiscal year show net sales of 29,643 million yen (up 25.6% YoY), operating loss of 4,054 million yen (vs. operating loss of 4,521 million yen in the same period of the previous fiscal year), ordinary loss of 3,636 million yen (vs. ordinary loss of 4,805 million yen in the same period of the previous fiscal year) and net loss attributable to owners of parent of 2,799 million yen (vs. net loss of 6,423 million yen in the same period of the previous fiscal year).

Segment business performance is reviewed below.

(i) Dormitory Business

In the Dormitory Business segment, the Group newly opened a total of eleven business offices and 1,168 rooms nationwide in April 2021. As in the previous fiscal year, foreign students continued to postpone their visits to Japan, and companies cancelled their new employee training programs, resulting in a 92.1% occupancy rate at the beginning of the fiscal year (down 1.6 percentage points YoY). However, positive signs are beginning to appear, including an increase in the number of Japanese students with the resumption of face-to-face classes and an increase in revenue from subcontracted dormitories due to the reopening of cafeterias.

As a result, net sales in this segment were 12,056 million yen (down 0.4% YoY) and the operating income was 1,426 million yen (down 9.6% YoY).

(ii) Hotel Business

In the Hotel Business segment, despite priority measures to prevent the spread of the virus, and the third declaration of the State of Emergency, both Dormy Inn Business and Resorts Business recorded a significant increase in revenues YoY due to the recovery of occupancy rates by domestic travelers mainly on weekends and high occupancy rates during Golden Week. As a result, net sales amounted to 11,052 million yen (up 163.5% YoY) and operating loss was 4,908 million yen (vs. operating loss of 5,610 million yen in the same period of the previous fiscal year). In the same period of the previous fiscal year, the Group closed many of its hotels due to the impact from the first declaration of the State of Emergency, and the Company recorded its gains and loss as non-operating income (expenses) and extraordinary income (losses). Taking the above-mentioned impacts into account, the net income (loss) in the first quarter of the current fiscal year has improved by 3,680 million yen vs. -8,588 million yen in the same period of the previous fiscal year.

As for the current situation, the declaration of the State of Emergency in Okinawa Prefecture was extended, and the fourth State of Emergency in Tokyo Metropolitan Government was declared on July 12, 2021. However, the occupancy rates in the Dormy Inn Business and Resorts Business in July exceeded year-on-year, and the results of capturing domestic demand in response to the decline in inbound tourism demand are steadily appearing. Going forward, the Group will continue to accelerate the sales promotion of new products including the aforementioned products, in addition to the Group's existing services targeting domestic travelers (such as "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

In the Comprehensive Building Management Business, factors such as a decline in construction projects, despite an increase in cleaning services as hotels resumed their operations, led to net sales of 3,134 million yen (down 10.4% YoY) and operating

loss was 31 million yen (vs. operating income of 53 million yen in the same period of the previous fiscal year).

(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 1,337 million yen (up 97.4% YoY) and operating loss was 39 million yen (vs. operating loss of 16 million yen in the same period of the previous fiscal year).

(v) Development Business

The Development Business reported net sales of 1,884 million yen (down 57.3% YoY) and operating loss of 40 million yen (down 73.8% YoY) mainly due to a decrease in construction projects.

(vi) Other Businesses

The Company's other business segment 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. As a result of the the steady improvement in earnings of the Public Kyoritsu Partnership (PKP) Business, net sales in this segment were 3,890 million yen (up 2.8% YoY) and its operating income was 206 million yen (up 74.0% YoY).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of this consolidated fiscal year stood at 229,384 million yen, down by 9,647 million yen from the end of the previous consolidated fiscal year. Main causes of this decrease included declines in cash and deposits.

(Liabilities)

Liabilities at the end of the first quarter of this consolidated fiscal year stood at 161,804 million yen, down by 6,442 million yen from the end of the previous consolidated fiscal year. This was mainly due to factors such as a decline in income taxes payable.

(Net Assets)

Net assets at the end of the first quarter of this consolidated fiscal year stood at 67,580 million yen, down by 3,204 million yen from the end of the previous consolidated fiscal year. Main reason for this was a decrease in retained earnings.

As a result, the equity ratio fell by 0.1 percentage points from the end of the previous consolidated fiscal year, to 29.5%.

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

Our full-year earnings forecast for the fiscal year ending March 2022 remain unchanged so far from the forecast announced on May 14, 2021.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	24,588	14,630
Notes and accounts receivable - trade	9,702	-
Notes and accounts receivable - trade and contract assets	-	9,741
Real estate for sale	15,959	20,257
Real estate for sale in process	1,670	6,797
Costs on uncompleted construction contracts	513	104
Other	9,562	7,658
Allowance for doubtful accounts	-52	-82
Total current assets	61,944	59,107
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,408	48,753
Land	45,827	45,658
Construction in progress	11,278	8,799
Other, net	4,393	4,311
Total property, plant and equipment	114,907	107,523
Intangible fixed assets	4,235	3,416
Investments and other assets		
Investment securities	4,499	4,486
Guarantee deposits	16,489	16,518
Lease deposits	16,912	16,953
Other	19,562	20,922
Allowance for doubtful accounts	-119	-118
Total investments and other assets	57,344	58,761
Total non-current assets	176,487	169,701
Deferred assets	600	576
Total assets	239,032	229,384

(Unit: million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current Liabilities		
Notes and accounts payable - trade	4,667	8,774
Short-term borrowings	12,702	13,027
Current portion of bonds payable	5,280	5,180
Income taxes payable	1,764	216
Provision for bonuses	714	228
Provision for directors' bonuses	37	19
Provision for warranties for completed construction	3	2
Other	24,677	17,016
Total current liabilities	49,848	44,465
Non-current liabilities		
Bonds payable	28,540	28,140
Convertible bonds with share acquisition rights	30,142	30,135
Long-term loans payable	53,003	52,127
Net defined benefit liability	1,045	1,095
Provision for directors' retirement benefits	252	253
Other	5,414	5,588
Total non-current liabilities	118,398	117,339
Total liabilities	168,247	161,804
Net assets		
Shareholders' equity		
Share capital	7,964	7,964
Capital surplus	12,821	12,821
Retained earnings	50,831	47,641
Treasury shares	-357	-358
Total shareholders' equity	71,259	68,069
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55	57
Foreign currency translation adjustment	-555	-569
Remeasurements of defined benefit plans	24	23
Total accumulated other comprehensive income	-474	-488
Total net assets	70,784	67,580
Total liabilities and net assets	239,032	229,384

(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Income Statement)
 (Three Months Ended June 30, 2021)

(Unit: million yen)

	Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net sales	23,608	29,643
Cost of sales	24,121	28,850
Gross profit (loss)	-512	793
Selling, general and administrative expenses	4,008	4,847
Operating income (loss)	-4,521	-4,054
Non-operating income		
Interest income	18	25
Dividend income	28	21
Subsidy income	46	187
Compensation income	18	419
Other	58	83
Total non-operating income	170	736
Non-operating expenses		
Interest expenses	103	142
Expenses for measures for COVID-19	214	44
Other	135	131
Total non-operating expenses	454	318
Ordinary income (loss)	-4,805	-3,636
Extraordinary losses		
Loss on temporary closing, etc.	2,886	-
Loss on store closings	321	55
Other	-	13
Total extraordinary loss	3,208	69
Quarterly net income (loss) before taxes	-8,013	-3,705
Income taxes	-1,590	-906
Quarterly net income (loss)	-6,423	-2,799
Quarterly net income (loss) attributable to owners of parent	-6,423	-2,799

(Quarterly consolidated statement of comprehensive income)
(Three Months Ended June 30, 2021)

(Unit: million yen)

	Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Quarterly net income (loss)	-6,423	-2,799
Other comprehensive income		
Valuation difference on available-for-sale securities	30	1
Foreign currency translation adjustment	7	-14
Remeasurements of defined benefit plans	2	-1
Total other comprehensive income	39	-14
Quarterly comprehensive income	-6,383	-2,813
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	-6,383	-2,813

(3) 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 quarter, and multiplying profit (loss) before income taxes for the first quarter 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 the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2020) and other standards from the beginning of this first quarter. 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. In addition, the Company has changed its method of accounting consignment sales of transportation tickets and concession products, 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.

For the application of the Accounting Standard for Revenue Recognition, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 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 of this consolidated fiscal year, 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 116 million yen and 116 million yen, respectively, as compared to the case where the previous accounting standards are applied, but the impact on operating loss is minor. This has no impact on the balance of retained earnings at the beginning 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 tax payment system from the first quarter of the current consolidated fiscal year.

(Application of tax effect accounting for the transition from the consolidated tax payment system to the group tax sharing system)

With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with transition to the 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 the 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)

[Segment Information]

I For the three months ended June 30, 2020 (April 1, 2020 – June 30, 2020)

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

(Unit: million yen)

	Reporting Segment						Other Note 1	Total	Adjustment amount Note 2	Amount recorded on consolidated quarterly income statement Note 3
	Dormitory	Hotel	Comprehensive Building Management	Food Service	Development	Total				
Net sales										
Net Sales to External Customers	12,014	4,179	1,406	93	2,260	19,955	3,653	23,608	-	23,608
Inter-segmental sales or transfers	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 (loss)	1,579	-5,610	53	-16	155	-3,839	118	-3,720	-800	-4,521

Notes: 1. The Other Business segment consists of the following businesses not included in the 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 incidental businesses.

2. Adjustment of segment income (loss) of -800 million yen includes the amount of elimination of inter-segment transactions of -169 million yen and corporate expenses of -631 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 or loss is adjusted with operating loss on the quarterly consolidated income statements.

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

Not applicable

II For the three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

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

(Unit: million yen)

	Reporting Segment						Other Note 1	Total	Adjustment amount Note 2	Amount recorded on consolidated quarterly income statement Note 3
	Dormitory	Hotel	Comprehensive Building Management	Food Service	Development	Total				
Net sales										
Net Sales to External Customers	11,974	11,028	1,632	179	1,067	25,882	3,761	29,643	-	29,643
Inter-segmental sales or transfers	81	23	1,501	1,158	817	3,583	128	3,711	-3,711	-
Total	12,056	11,052	3,134	1,337	1,884	29,465	3,890	33,355	-3,711	29,643
Segment profit (loss)	1,426	-4,908	-31	-39	40	-3,510	206	-3,303	-750	-4,054

Notes: 1. The Other Business segment consists of the following businesses not included in the 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 incidental businesses.

2. Adjustment of segment income (loss) of -750 million yen includes the amount of elimination of inter-segment transactions of 19 million yen and corporate expenses of -770 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 or loss is adjusted with operating loss on the quarterly consolidated income statements.

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

Not applicable