



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

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year
Ending March 31, 2023

[JGAAP]

Aug 2022

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 [based on Japanese GAAP]

Aug 9, 2022

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 10, 2022
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 three months of the fiscal year ending March 31, 2023 (April 1, 2022 to June 30, 2022)

(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, 2022	39,252	32.4	1,076	—	1,075	—	691	—
The three months ended June 30, 2021	29,643	25.6	-4,054	—	-3,636	—	-2,799	—

(Note) Comprehensive income: The three months ended June 30, 2022: 915 million yen (-%)
The three months ended June 30, 2021: -2,813 million yen (-%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
The three months ended June 30, 2022	17.74	15.13
The three months ended June 30, 2021	-71.80	—

(Note) Diluted net income per share is omitted since the Company recorded net loss per share for the last fiscal year and there were 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, 2022	235,814	71,110	30.2	1,823.85
As of March 31, 2022	241,723	70,586	29.2	1,810.40

(Reference) Shareholders' Equity: As of June 30, 2022: 71,110 million yen As of March 31, 2022: 70,586 million yen

2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	10.00	—	10.00	20.00
Year ending March 31, 2023	—	—	—	—	—
Year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(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	174,000	0.2	3,000	109.6	2,200	21.3	1,000	85.5	25.65

(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): None

(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 11.

(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, 2022	39,219,818 shares	Year ended March 31, 2022	39,219,818 shares
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(ii) Number of treasury shares at the end of the period

As of June 30, 2022	230,707 Shares	Year ended March 31, 2022	230,499 shares
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(iii) Average number of shares during the period

As of June 30, 2022	38,989,215 shares	As of June 30, 2021	38,990,194 shares
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*Summaries of financial results are not subject to auditing by a certified public accountant or auditing firm.

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

(Note concerning forward-looking statements)

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

Please see "(3) Explanation of Forecasts of Consolidated Results and Other Forward-Looking Information" under "1. Qualitative Information on Quarterly Results" on page 6 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 of financial results)

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

Table of contents for attached materials

1. Qualitative Information on Quarterly Results.....	5
(1) Explanation of Operating Results	5
(2) Explanation of Financial Position	6
(3) Explanation of Forecasts of Consolidated Results and Other Forward-Looking Information	6
2. Quarterly Financial Statements and Major Notes	7
(1) Quarterly Consolidated Balance Sheet.....	7
(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income	9
(Quarterly Consolidated Income Statement)	9
(Three Months Ended June 30, 2022).....	9
(Quarterly consolidated statement of comprehensive income)	10
(Three Months Ended June 30, 2022).....	10
(3) Notes on Quarterly Consolidated Financial Statements	11
(Notes on the going concern assumption).....	11
(Notes concerning any notable changes in shareholders' equity).....	- 11 -
(Application of special accounting procedures in the preparation of quarterly consolidated financial statements).....	- 11 -
(Changes in accounting policies).....	- 11 -
(Additional information)	- 11 -
(Segment Information)	12

1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the first three months of the current fiscal year, the Japanese economy saw a gradual normalization of economic activities thanks to penetration of preventive measures and increased vaccination rate concerning COVID-19. However, the future outlook remains uncertain due to the resurgence of COVID-19 since late June, in addition to energy price hikes caused by the Ukraine crisis.

The Group was able to start this fiscal year without any behavioral restrictions for the first time in three years. Especially in the Hotel Business segment, occupancy rate and room rates recovered nearly to the levels of the first quarter of the fiscal year ended March 31, 2020, which is before the COVID-19 pandemic, mainly thanks in part to the large number of guests who stayed during Golden Week. The Group has continued to thoroughly implement COVID-19 preventive measures (such as temperature checks, disinfection, photocatalysis, and non-contact measures) and also actively addressed the SDGs (reducing excessive consumption, waste reduction, etc.).

As a result, for the first three months of the current fiscal year show net sales of 39,252 million yen (up 32.4% YoY); operating profit was 1,076 million yen (vs. operating loss of 4,054 million yen in the same period of the previous year); ordinary profit was 1,075 million yen (vs. ordinary loss of 3,636 million yen); and profit attributable to owners of parent was 691 million yen (vs. loss of 2,799 million yen), marking the first time in three fiscal years that the Company has returned to profitability in the first three months of a consolidated fiscal year.

Segment business performance is reviewed below.

(i) Dormitory Business

In the Dormitory Business segment, the Group newly opened a total of nineteen business offices and 1,921 rooms nationwide in April 2022. The initial occupancy rate started the period at 93.5% (up 1.4 point YoY) due to a significant increase in the number of Japanese students, partly due to the renewed appreciation of the safety and security of our dormitory establishment in the COVID-19 pandemic, and partly due to our focus on capturing domestic demand. Also, the number of foreign students has increase YoY, and has been on the rise since July due to the easing of immigration restrictions.

As a result, net sales amounted to 12,832 million yen (up 6.4% YoY) while operating profit remained at 1,270 million yen (down 11.0% YoY), due to costs of opening new offices and rooms, and higher energy prices.

(ii) Hotel Business

In the Hotel Business segment, the Group newly opened three business facilities in the Dormy Inn Business; "Natural Hot Springs Hana-Nami-No-Yu, ONYADO NONO Yodoyabashi", "Natural Hot Springs Fuji-Zakura-No-Yu, Dormy Inn EXPRESS Fujisan Gotemba" and "Natural Hot Springs Morito-no-Yu, ONYADO NONO Sendai", and "Kyoto Umekoji Kadensho" in the Resorts Business. In the current fiscal year, the Group welcomed the Golden Week holidays in May without any restrictions on activities for the first time since 2019, and many guests enjoyed our highly acclaimed services, including the hot spring baths and authentic saunas, which are the features of our hotels, as well as our special meals and Yonaki noodle. In addition, the favorable effects of measures to stimulate tourism demand, such as the prefectural and regional residents' discounts, resulted in significant increases in net sales and operating profit in the Dormy Inn Business as well as the Resorts Business.

As a result, net sales amounted to 20,599 million yen (up 86.4% YoY) and operating profit turned positive amounting to 192 million yen (vs. operating loss of 4,908 million yen in the same period of the previous fiscal year).

(iii) Comprehensive Building Management Business

In the Comprehensive Building Management Business, net sales were 4,023 million yen (up 28.3% YoY) and operating profit was 117 million yen (vs. operating loss of 31 million yen in the same period of the previous fiscal year), mainly due to an increase in hotel cleaning services and construction projects.

(iv) Food Service Business

In the Food Service Business, net sales were 2,022 million yen (up 51.2% YoY) and operating profit was 111 million yen (vs. operating loss of 39 million yen in the same period of the previous fiscal year) due to an increase in hotel restaurant contracts and the easing of restrictions on restrictions for restaurants.

(v) Development Business

The Development Business reported net sales of 274 million yen (down 85.5% YoY) and operating profit of 16 million yen

(down 60.4% 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. The total of these businesses resulted in net sales of 3,904 million yen (up 0.4% YoY) and operating profit of 75 million yen (down 63.5% YoY).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of this consolidated fiscal year stood at 235,814 million yen, down by 5,908 million yen from the end of the previous consolidated fiscal year. The main cause 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 164,704 million yen, down by 6,432 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases in income taxes payable and long-term borrowings.

(Net Assets)

Net assets at the end of the first quarter of this consolidated fiscal year stood at 71,110 million yen, an increase of 524 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings. As a result, the equity ratio became 30.2%, an increase of 1.0 points from the end of the previous consolidated fiscal year.

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

Despite the high performance in the first three months of the current fiscal year, the Company has decided to leave the consolidated financial forecasts for the fiscal year ending March 31, 2023 unchanged from that announced on May 13, 2022, due to uncertain outlook for the future, including the resurgence of COVID-19. The Company will promptly disclose any revision to its earnings forecast if such a revision becomes necessary.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	37,942	30,171
Notes and accounts receivable - trade and contract assets	11,856	12,733
Real estate for sale	7,681	7,727
Real estate for sale in process	7,719	8,217
Costs on uncompleted construction contracts	61	17
Other	7,769	8,001
Allowance for doubtful accounts	-76	-92
Total current assets	72,953	66,776
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,037	47,166
Land	39,359	39,787
Construction in progress	13,173	11,149
Other, net	3,648	4,177
Total property, plant and equipment	103,218	102,280
Intangible fixed assets	3,384	4,168
Investments and other assets		
Investment securities	3,151	3,148
Guarantee deposits	18,826	18,809
Leasehold deposits	19,033	19,228
Other	20,771	21,051
Allowance for doubtful accounts	-122	-125
Total investments and other assets	61,660	62,111
Total non-current assets	168,264	168,560
Deferred assets	505	477
Total assets	241,723	235,814

(Unit: million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,202	5,923
Short-term borrowings	14,820	15,243
Current portion of bonds payable	5,080	5,080
Income taxes payable	1,035	27
Provision for bonuses	979	304
Provision for directors' bonuses	76	30
Provision for warranties for completed construction	5	2
Other	21,234	18,113
Total current liabilities	49,433	44,725
Non-current liabilities		
Bonds payable	23,460	23,060
Convertible bonds with share acquisition rights	30,112	30,105
Long-term loan payable	61,961	60,807
Retirement Benefit Liabilities	1,013	1,070
Provision for directors' retirement benefits	254	254
Other	4,902	4,681
Total non-current liabilities	121,703	119,978
Total liabilities	171,137	164,704
Net Assets		
Shareholders' equity		
Share capital	7,964	7,964
Capital surplus	12,821	12,821
Retained earnings	50,383	50,685
Treasury shares	-361	-362
Total shareholders' equity	70,807	71,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	82	74
Deferred gains (losses) on hedges	225	471
Foreign currency translation adjustment	-583	-594
Remeasurements of defined benefit plans	53	51
Total accumulated other comprehensive income	-221	1
Total net assets	70,586	71,110
Total liabilities and net assets	241,723	235,814

(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Income Statement)
 (Three Months Ended June 30, 2022)

(Unit: million yen)

	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	29,643	39,252
Cost of sales	28,850	32,430
Gross profit	793	6,822
Selling, general and administrative expenses	4,847	5,745
Operating income (loss)	-4,054	1,076
Non-operating income		
Interest income	25	26
Dividend income	21	43
Subsidy income	187	83
Other	502	110
Total non-operating income	736	263
Non-operating expenses		
Interest expenses	142	145
Expenses for measures for COVID-19	44	31
Other	131	88
Total non-operating expenses	318	265
Ordinary income (loss)	-3,636	1,075
Extraordinary income		
Gain on sales of investment securities	-	18
Total extraordinary income	-	18
Extraordinary loss		
Loss on store closures	55	30
Loss on disaster	-	15
Other	13	-
Total extraordinary loss	69	46
Net income (loss) before taxes	-3,705	1,046
Income taxes	-906	355
Net income (loss)	-2,799	691
Net income (loss) attributable to owners of parent	-2,799	691

(Quarterly consolidated statement of comprehensive income)
(Three Months Ended June 30, 2022)

(Unit: million yen)

	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net income (loss)	-2,799	691
Other comprehensive income		
Valuation difference on available-for-sale securities	1	-8
Deferred gains on hedges	-	245
Foreign currency translation adjustment	-14	-11
Adjustment for retirement benefits	-1	-2
Total other comprehensive income	-14	223
Comprehensive income	-2,813	915
(Breakdown)		
Comprehensive income attributable to owners of parent	-2,813	915

(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of this consolidated fiscal year. Pursuant to the transitional treatment stipulated in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement, the Company has decided to apply prospectively the new accounting policy stipulated by the Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have shifted from the Consolidated Taxation System to the Group Tax Sharing System effective from the first quarter of the current fiscal year. Consequently, for accounting treatment and disclosure of corporate and corporate local income taxes and tax effect accounting, the Company has applied Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021, hereinafter "PITF No.42"). In accordance with Paragraph 32 (1) of the PITF No. 42, the Company has assumed that changes in accounting policies resulting from the application of PITF No. 42 have no impact on the Company's financial statements.

(Segment Information)

I 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						Others Note 1	Total	Adjustment amount Note 2	Amount recorded on consolidated quarterly statement of income Note 3
	Dormitory	Hotel	Comprehen sive Building Managemen t	Food Service	Developme nt	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

Note 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.

- 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.
- 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, 2022 (April 1, 2022 - June 30, 2022)

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

(Unit: million yen)

	Reporting segment						Others Note 1	Total	Adjustment amount Note 2	Amount recorded on consolidated quarterly statement of income Note 3
	Dormitory	Hotel	Comprehen sive Building Managemen t	Food Service	Developme nt	Total				
Net sales										
Net sales to external customers	12,744	20,569	1,787	343	83	35,527	3,725	39,252	-	39,252
Inter-segmental sales or transfers	88	30	2,235	1,679	190	4,224	179	4,404	-4,404	-
Total	12,832	20,599	4,023	2,022	274	39,752	3,904	43,656	-4,404	39,252
Segment profit (loss)	1,270	192	117	111	16	1,707	75	1,783	-706	1,076

Note 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 -706 million yen includes the amount of elimination of inter-segment transactions of 121 million yen and corporate expenses of -828 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 profit on the quarterly consolidated income statements.
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2. Information on impairment loss on non-current assets or goodwill, etc. by reporting segment
Not applicable