



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

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year
Ending March 31, 2024

[JGAAP]

November 2023

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 [based on Japanese GAAP]

November 9, 2023

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: November 13, 2023
Scheduled date of start of dividend payment: December 5, 2023
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2024 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Income (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
The six months ended September 30, 2023	98,662	18.7	8,396	112.8	8,212	117.2	4,704	105.2
The six months ended September 30, 2022	83,093	22.7	3,945	–	3,780	–	2,292	–

(Note) Comprehensive income: The six months ended September 30, 2023: 5,109 million yen (101.5%)
The six months ended September 30, 2022: 2,536 million yen (–%)

	Income (loss) per share	Diluted net income per share
	Yen	Yen
The six months ended September 30, 2023	120.61	103.46
The six months ended September 30, 2022	58.79	50.31

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	259,692	79,302	30.5	2,032.60
As of March 31, 2023	272,308	74,579	27.4	1,912.28

(Reference) Shareholders' equity: As of September 30, 2023: 79,302 million yen As of March 31, 2023: 74,579 million yen

2. Dividends

	Annual dividends				
	Q1 end	Q2 end	Q3 end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	10.00	–	12.00	22.00
Year ending March 31, 2024	–	16.00			
Year ending March 31, 2024 (Forecast)			–	20.00	36.00

(Note) Revision from most recently announced dividends forecasts: Yes
See "Notice of revised forecasts of consolidated financial results and year-end dividends," announced today (November 9, 2023), for revised year-end dividends forecasts.

3. Forecasted consolidated results for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentage figures represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	200,000	13.9	13,000	77.4	12,000	68.6	7,000	65.0	179.42

(Note) Revision from most recently announced earnings forecasts: Yes
See "Notice of revised forecasts of consolidated financial results and year-end dividends," announced today (November 9, 2023), for revised consolidated earnings forecasts.

*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 “(4) 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 13.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revision of accounting standards, etc.: None

(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 September 30, 2023	39,219,818 shares	Year ended March 31, 2023	39,219,818 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2023	204,724 shares	Year ended March 31, 2023	219,668 shares
(iii) Average number of shares during the period	As of September 30, 2023	39,006,013 shares	As of September 30, 2022	38,993,815 shares

*Summaries of quarterly 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 on quarterly financial results)

Supplementary materials on quarterly financial results are posted to TDnet on the same date and to the Company website.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the first six months of the current consolidated fiscal year, despite the reclassification of COVID-19 as a Class 5 infectious disease and the accompanying trend toward normalization of economic activity, the outlook for the Japanese economy remained uncertain for various reasons, including the skyrocketing energy prices and costs of raw materials associated with the protracted Ukraine conflict and inflation spurred by yen devaluation.

Under these conditions, various factors helped the Group record recovering business performance in both the Dormitory Business and Hotel Business. These included recovering and growing numbers of dormitory rooms under contract with foreign students and a strong recovery of inbound visitors to Japan, whose numbers in September 2023 had recovered to 96% of the pre-COVID level in September 2019 (source: Japan National Tourism Organization (JNTO) “Visitor Arrivals”), as well as the extension of nationwide measures to support tourism. These factors more than offset the negative impact of higher foodstuff and labor costs.

As a result, the Group saw substantial earnings growth in the first six months of the current consolidated fiscal year, recording net sales of 98,662 million yen (up 18.7% YoY), operating income of 8,396 million yen (up 112.8% YoY), ordinary income of 8,212 million yen (up 117.2% YoY), and net income attributable to owners of parent of 4,704 million yen (up 105.2% YoY).

Segment business performance is reviewed below.

(i) Dormitory Business

In the Dormitory Business, the Group opened 12 facilities nationwide with a total of 1,037 rooms in April. Factors including an increase in contracts concluded with Japanese students, reflecting the high regard for safety and security measures implemented at our dormitory facilities, and a sharp increase in contracts concluded with foreign students following the lifting of immigration restrictions, helped the Dormitory Business begin the period with an initial occupancy rate of 98.2% (up 4.7 percentage points from the previous year).

As a result, net sales were 26,183 million yen (up 5.1% YoY) and operating income was 2,964 million yen (up 32.4% YoY).

(ii) Hotel Business

The Hotel Business opened two facilities during the period under review: Natural Hotsprings Awayuki-no-yu Dormy Inn Aomori in the Dormy Inn Business, and La Vista Kannonzaki Terrace in the Resorts Business.

Energetic sales promotions, including travel exhibitions and domestic travel campaigns, led to high occupancy rates. Contributing background factors included the extension of nationwide measures to support tourism and growing summer leisure demand in the domestic tourism market as well as considerable growth in inbound tourism thanks to the weak yen and resumption of and rise in international flights following the lifting of immigration restrictions. We also made progress in normalizing selling prices to cope with inflationary pressures in areas such as labor and raw materials costs.

As a result, average daily rates reached new record highs. Net sales amounted to 60,576 million yen (up 30.3% YoY) and operating income was 7,271 million yen (up 163.8% YoY).

(iii) Comprehensive Building Management Business

In the Comprehensive Building Management Business, growth in remodeling projects drove net sales to 10,220 million yen (up 26.9% YoY) and operating income to 212 million yen (up 9.9% YoY).

(iv) Food Service Business

In the Food Service Business, despite growing numbers of contracted hotel restaurants, factors including the higher foodstuff and labor costs resulted in net sales of 5,218 million yen (up 19.9% YoY) and operating income of 91 million yen (down 32.3% YoY).

(v) Development Business

Despite higher revenues from the sale of real estate, the Development Business reported net sales of 618 million yen (up 5.6% YoY) and operating income of 4 million yen (down 83.7% YoY) due to a decrease in new construction projects and other factors.

(vi) Other Businesses

Other Businesses consist of the Senior Life Business (management and operation of senior residences), Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support business for people who live alone, insurance agency business, comprehensive human-resource services business, financial business, and the administrative outsourcing business. The total of these businesses resulted in net sales of 8,016 million yen (up 3.0% YoY) and operating loss of 20 million yen (vs. operating income of 51 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

(i) Assets, Liabilities and Net Assets

(Assets)

Total assets at the end of the second quarter of this consolidated fiscal year stood at 259,692 million yen, down by 12,615 million yen from the end of the previous consolidated fiscal year. Main factors of this decrease included declines in cash and deposits.

(Liabilities)

Liabilities at the end of the second quarter of this consolidated fiscal year stood at 180,390 million yen, down by 17,338 million yen from the end of the previous consolidated fiscal year. This was mainly due to declines in bonds payable and long-term loans payable.

(Net Assets)

Net assets at the end of the second quarter of this consolidated fiscal year stood at 79,302 million yen, up 4,722 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 was 30.5%, an increase of 3.1 points from the end of the previous consolidated fiscal year.

(ii) Cash Flows

Cash and cash equivalents at the end of second quarter of this consolidated fiscal year were 38,063 million yen, decreased by 17,587 million yen from the end of the previous consolidated fiscal year.

(Cash Flows from Operating Activities)

Net cash from operating activities was 7,924 million yen, up 8,896 million yen from the same period last year due to the impact of net income before income taxes.

(Cash Flows from Investing Activities)

Net cash used in investment activities was 16,471 million yen, up 11,940 million yen from the same period last year due to the impact of purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 9,057 million yen, up 4,189 million yen from the same period last year due to the impact of repayments of long-term loans payable.

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

We have revised our forecasts of consolidated financial results upward for the fiscal year ending March 31, 2024 previously announced on May 15, 2023. These revisions reflect expectations for faster than anticipated improvements in business performance in both the Dormitory Business and Hotel Business amid substantial improvements in the business environment. For details, please refer to the “Notice of revised forecasts of consolidated financial results and year-end dividends,” released today (November 9, 2023).

There have been no changes in the Medium-term Management Plan “KYORITSU Growth Vision / Rise Up Plan 2028,” for which the fiscal year ending March 31, 2024 is the first fiscal year.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	56,027	38,439
Notes and accounts receivable - trade	15,211	15,792
Real estate for sale	11,750	11,617
Real estate for sale in process	6,873	7,479
Costs on uncompleted construction contracts	95	95
Other	8,918	8,429
Allowance for doubtful accounts	-74	-75
Total current assets	98,802	81,778
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,643	48,810
Land	39,862	41,236
Construction in progress	14,811	16,870
Other, net	4,637	4,850
Total property, plant and equipment	106,954	111,767
Intangible fixed assets	4,154	4,203
Investments and other assets		
Investment securities	3,525	3,892
Guarantee deposits	18,581	19,211
Lease deposits	19,915	20,375
Other	20,082	18,215
Allowance for doubtful accounts	-113	-110
Total investments and other assets	61,991	61,584
Total non-current assets	173,100	177,555
Deferred assets	405	358
Total assets	272,308	259,692

(Unit: million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,249	6,194
Short-term borrowings	23,947	24,645
Current portion of bonds payable	4,880	4,880
Income taxes payable	865	1,760
Provision for bonuses	1,935	1,659
Provision for directors' bonuses	289	217
Provision for warranties for completed construction	0	0
Provision for loss on business withdrawal	-	870
Other	28,214	19,121
Total current liabilities	67,383	59,349
Non-current liabilities		
Bonds payable	18,580	16,140
Convertible bonds with share acquisition rights	30,082	30,067
Long-term loans payable	75,743	68,863
Retirement benefit liability	1,029	1,134
Provision for directors' retirement benefits	255	256
Other	4,653	4,578
Total non-current liabilities	130,345	121,040
Total liabilities	197,728	180,390
Net assets		
Shareholders' equity		
Share capital	7,964	7,964
Capital surplus	12,862	12,920
Retained earnings	53,845	58,081
Treasury shares	-349	-326
Total shareholders' equity	74,322	78,640
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160	421
Deferred gains or losses on hedges	648	808
Foreign currency translation adjustment	-589	-600
Remeasurements of defined benefit plans	36	32
Total accumulated other comprehensive income	256	661
Total net assets	74,579	79,302
Total liabilities and net assets	272,308	259,692

(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Income Statement)
(Six Months Ended September 30, 2023)

(Unit: million yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	83,093	98,662
Cost of sales	67,494	75,082
Gross income	15,598	23,580
Selling, general and administrative expenses	11,653	15,183
Operating income	3,945	8,396
Non-operating income		
Interest income	54	57
Dividend income	46	74
Foreign exchange gains	-	74
Other	229	94
Total non-operating income	330	300
Non-operating expenses		
Interest expenses	278	347
Expenses for measures for COVID-19	61	—
Other	154	137
Total non-operating expenses	494	484
Ordinary income	3,780	8,212
Extraordinary income		
Gain on sales of investment securities	18	-
Total extraordinary income	18	-
Extraordinary losses		
Loss on business withdrawal	-	768
Other	204	117
Total extraordinary losses	204	885
Net income before taxes	3,594	7,327
Income taxes	1,302	2,622
Net income	2,292	4,704
Net income attributable to owners of parent	2,292	4,704

(Quarterly Consolidated Statement of Comprehensive Income)
(Six Months Ended September 30, 2023)

(Unit: million yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net income	2,292	4,704
Other comprehensive income		
Valuation difference on available-for-sale securities	-40	261
Deferred gains or losses on hedges	288	159
Foreign currency translation adjustment	0	-11
Remeasurements of defined benefit plans	-5	-4
Total other comprehensive income	243	405
Comprehensive income	2,536	5,109
(Breakdown)		
Comprehensive income attributable to owners of parent	2,536	5,109

(3) Quarterly Consolidated Cash Flow Statement

(Unit: million yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Net income before taxes	3,594	7,327
Depreciation and amortization	2,871	3,221
Amortization of long-term prepaid expenses	247	241
Amortization of security deposits	197	188
Increase (decrease) in provision for bonuses	127	-276
Interest and dividend income	-101	-131
Interest expenses	278	347
Expenses for measures for COVID-19	61	-
Loss on business withdrawal	-	768
Decrease (increase) in notes and account receivables - trade	-2,223	-568
Decrease (increase) in accounts receivable - other	374	484
Decrease (increase) in inventories	-1,432	-667
Increase (decrease) in notes and accounts payables - trade	687	-1,056
Increase (decrease) in accrued expenses	10	313
Increase (decrease) in advances received	-1,890	-2,870
Increase (decrease) in accrued consumption taxes	-1,687	479
Increase (decrease) in guarantee deposits received	55	136
Other	-664	-128
Subtotal	507	7,806
Interest and dividends received	64	92
Interest paid	-291	-345
Income taxes refund	0	1,051
Income taxes paid	-1,190	-681
Expenses for measures for COVID-19 paid	-61	-
Net cash provided by (used in) operating activities	-971	7,924
Cash flows from investing activities		
Purchase of investment securities	-31	-
Proceeds from sales of investment securities	0	0
Purchase of property, plant and equipment	-3,367	-14,495
Proceeds from sales of property, plant and equipment	2	-
Purchase of intangible assets	-188	-293
Payments for acquisition of long-term prepaid expenses	-131	-273
Payments of loans receivable	-42	-10
Collection of loans receivable	90	82
Payments of lease and guarantee deposits	-841	-1,431
Proceeds from collection of lease and guarantee deposits	165	55
Purchase of insurance funds	-433	-274
Proceeds from cancellation of insurance funds	418	280
Other	-171	-111
Net cash provided by (used in) investing activities	-4,530	-16,471

(Unit: million yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-150	-
Repayments of long-term loans payable	-1,760	-6,181
Redemption of bonds	-2,556	-2,455
Share buybacks	-3	-1
Cash dividends paid	-388	-466
Other	-8	48
Net cash provided by (used in) financing activities	-4,867	-9,057
Effect of exchange rate change on cash and cash equivalents	0	16
Net increase (decrease) in cash and cash equivalents	-10,370	-17,587
Balance of cash and cash equivalents at the beginning of current period	37,565	55,651
Balance of cash and cash equivalents at the end of current period	27,195	38,063

(4) 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 income (loss) before income taxes for the consolidated fiscal year, including the first six months of the fiscal year, and multiplying income (loss) before income taxes for the first half of the fiscal year 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)

Not applicable

(Additional information)

Not applicable

(Segment Information etc.)

[Segment Information]

I For the six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)

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	24,741	46,428	3,716	573	179	75,639	7,453	83,093	—	83,093
Inter-segmental sales or transfers	169	61	4,337	3,780	405	8,754	331	9,086	-9,086	—
Total	24,910	46,490	8,053	4,353	585	84,393	7,785	92,179	-9,086	83,093
Segment income (loss)	2,239	2,756	193	134	30	5,354	51	5,405	-1,460	3,945

Notes: 1. The Other segment consists of the following businesses which are not included in the reporting segments: the Senior Life Business (management and operation of senior residences), Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support business for people who live alone, insurance agency business, comprehensive human-resource services business, financial business, administrative outsourcing business, and other additional businesses.

2. Adjustment of segment income (loss) of -1,460 million yen includes the amount of elimination of inter-segment transactions of 182 million yen and corporate expenses of -1,642 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 income (loss) is adjusted with operating income on the quarterly consolidated statement of income.

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

Not applicable

II For the six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)

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	26,008	60,471	3,478	792	246	90,997	7,665	98,662	–	98,662
Inter-segmental sales or transfers	174	105	6,741	4,425	371	11,819	350	12,169	-12,169	–
Total	26,183	60,576	10,220	5,218	618	102,816	8,016	110,832	-12,169	98,662
Segment income (loss)	2,964	7,271	212	91	4	10,544	-20	10,523	-2,127	8,396

Notes: 1. The Other segment consists of the following businesses which are not included in the reporting segments: the Senior Life Business (management and operation of senior residences), Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support business for people who live alone, insurance agency business, comprehensive human-resource services business, financial business, administrative outsourcing business, and other additional businesses.

2. Adjustment of segment income (loss) of -2,127 million yen includes the amount of elimination of inter-segment transactions of -97 million yen and corporate expenses of -2,029 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 income (loss) is adjusted with operating income on the quarterly consolidated statement of income.

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

Not applicable