



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

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

[JGAAP]

Feb 2022

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

Feb 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: Feb 14, 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 nine months of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 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 nine months ended December 31, 2021	105,066	15.0	-5,253	—	-4,871	—	-3,930	—
The nine months ended December 31, 2020	91,343	-31.4	-3,744	—	-3,753	—	-7,653	—

(Note) Comprehensive income: The nine months ended December 31, 2021: -3,929 million yen (-%)
 The nine months ended December 31, 2020: -7,540 million yen (-%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
The nine months ended December 31, 2021	-100.82	—
The nine months ended December 31, 2020	-196.29	—

(Note) Diluted net income per share is omitted since the Company recorded net loss per share for this period 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 December 31, 2021	240,529	66,065	27.5	1,694.44
As of March 31, 2021	239,032	70,784	29.6	1,815.45

(Reference) Shareholders' Equity: As of December 31, 2021: 66,065 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	—	10.00			
Year ending March 31, 2022 (Forecast)	—		—	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 pershare
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	173,000	42.6	2,000	—	1,900	—	100	—	2.56

(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 December 31, 2021	39,219,818 shares	Year ended March 31, 2021	39,219,818 shares
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(ii) Number of treasury shares at the end of the period

As of December 31, 2021	230,237 Shares	Year ended March 31, 2021	229,475 shares
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(iii) Average number of shares during the period

As of December 31, 2021	38,990,010 shares	As of December 31, 2020	38,990,303 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.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the first nine months of the current fiscal year, the Japanese economy gradually resumed business activities following the lifting of priority measures to prevent the spread of COVID-19 and state of emergency, but the future of the economy became uncertain due to the increase in the number of infected people at the end of last year.

Under these circumstances, the Group continued to take extensive measures to prevent the spread of infection (such as temperature checks, disinfection, photocatalysis, and non-contact measures) at all Group offices so that customers can use the facilities safely. In addition, as 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)," etc. In addition, the Group has been working to save costs by utilizing support systems such as Employment Adjustment Subsidy, etc. As a sales initiative, the Group has also been working to strengthen sales of new services such as "WORK PLACE DORMY (offices and hotels where people can stay and reside)," which responds to new ways of working, and a comprehensive membership program "Kyoritsu General Corporate Membership Program: Shiki Club," which is designed to be used for expanding welfare services.

As a result, results for the first nine months of the current fiscal year show net sales of 105,066 million yen (up 15.0% YoY). The third quarter of the current fiscal year returned to profitability, and then, for the first nine months of the current fiscal year, operating loss was 5,253 million yen (vs. operating loss of 3,744 million yen in the same period of the previous year); ordinary loss was 4,871 million yen (vs. ordinary loss of 3,753 million yen); and loss attributable to owners of parent was 3,930 million yen (vs. loss of 7,653 million yen). In the previous year, the Company temporarily closed hotels and restaurants in response to the request for closure due to the declaration of a state of emergency. And the Company posted that resulting profit and loss as extraordinary income (loss). However, after reclassifying them into the ordinary accounts, the operating loss and ordinary loss improved by 1,380 million yen and by 1,771 million yen YoY, respectively.

Although the outlook for the future remains uncertain due to the increase in the number of COVID-19 cases, the Company will continue to make group-wide concerted efforts to recover its business performance, including the revitalization of real estate.

Segment business performance is reviewed below.

(i) Dormitory Business

In the Dormitory Business, the occupancy rate at the beginning of the fiscal year decreased by 1.6 percentage points from the previous year to 92.1% due to the postponement of foreign students' arrival in Japan and the cancellation of training programs for new employees. However, due to the effect of increased revenue from new openings (12 offices, 1,204 rooms) and newly commissioned offices, etc, net sales were largely on par with the same period of the previous fiscal year.

As a result, net sales amounted to 34,022 million yen (down 0.9% YoY) and operating profit was 2,997 million yen (down 14.1% YoY), mainly due to a decline in the occupancy rates.

(ii) Hotel Business

In the Hotel Business segment, the Company opened "Natural Hot springs Kaga-no-Hosen Onyado Nono Kanazawa" in the Dormy Inn Business and "La Vista Kusatsu Hills" in the Resorts Business during the current period. Despite the intermittent priority measures to prevent the spread of the COVID-19 and the declaration of a state of emergency, both the Dormy Inn Business and Resorts Business recorded a significant increase in revenues compared with the same period of the previous fiscal year, when the "Go To Travel Campaign" was launched. This was due to a recovery in occupancy rates by domestic travelers, especially on weekends, and high occupancy rates during the Golden Week holidays in May. The Company returned to profitability in the third quarter of the current fiscal year.

As a result, net sales amounted to 46,232 million yen (up 27.4% YoY) and operating loss was 7,296 million yen (vs. operating loss of 6,392 million yen in the same period of the previous fiscal year). In the same period of the previous fiscal year, the Company temporarily closed a large number of hotels in response to requests for closures following the declaration of a state of emergency, and posted the profit and loss as extraordinary income (loss). However, after reclassifying them to ordinary accounts, the operating loss improved by 1,971 million yen compared with 9,267 million yen for the same period of last year.

Currently, there are some cancellations and a decrease in the number of new bookings as number of people infected by COVID-19 increase. However, the Group will continue to accelerate the sales promotion of the "NEW LOCAL STAY Plan (local-only plan)" and the aforementioned new services, as well as to strategically open new hotels in order to achieve an early recovery in business performance, while striving for medium-to-long term business expansion with an eye on post COVID-19.

(iii) Comprehensive Building Management Business

Mainly due to a decline in construction projects, while cleaning services increased as occupancy rates rose, resulted in net sales of 10,417 million yen (down 8.8% YoY) and operating profit of 109 million yen (down 60.0 % YoY) in the Comprehensive Building Management Business.

(iv) Food Service Business

In the Food Service Business, net sales increased by 24.2% year-on-year to 5,149 million yen and operating loss was 40 million yen (22 million yen operating profit in the same period of the previous year) due to the suspension of liquor service, shortened business hours, and temporary closures of restaurants to prevent the spread of infection, despite an increase in orders from hotel restaurants.

(v) Development Business

As a result of the revitalization of real estate, the Development Business reported net sales of 9,558 million yen (up 6.3% YoY) and operating profit of 648 million yen (up 82.6% YoY).

(vi) Other Businesses

Other Businesses 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 services, the financial business, and the administrative outsourcing business. The total of these businesses resulted in net sales of 11,342 million yen (down 2.0% YoY) and operating profit of 358 million yen (down 36.6% YoY).

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of this consolidated fiscal year stood at 240,529 million yen, an increase of 1,497 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in real estate for sale and real estate for sale in process.

(Liabilities)

Liabilities at the end of the third quarter of this consolidated fiscal year stood at 174,464 million yen, an increase of 6,216 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in long-term borrowings, short-term borrowings, and notes and accounts payable-trade.

(Net Assets)

Net assets at the end of the third quarter of the current fiscal year were 66,065 million yen, a decrease of 4,719 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in retained earnings.

As a result, the equity ratio became 27.5%, a decrease of 2.1 points from the end of the previous consolidated fiscal year.

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

At present, there is no change to the consolidated earnings forecast for the fiscal year ending March 31, 2022, from the figures announced on November 9, 2021.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	24,588	15,756
Notes and accounts receivable - trade	9,702	-
Notes and accounts receivable - trade and contract assets	-	13,096
Real estate for sale	15,959	27,486
Real estate for sale in process	1,670	11,493
Costs on uncompleted construction contracts	513	100
Other	9,562	7,972
Allowance for doubtful accounts	-52	-79
Total current assets	61,944	75,827
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,408	47,139
Land	45,827	38,581
Construction in progress	11,278	10,594
Other, net	4,393	3,932
Total property, plant and equipment	114,907	100,247
Intangible fixed assets	4,235	3,380
Investments and other assets		
Investment securities	4,499	4,402
Guarantee deposits	16,489	17,237
Leasehold deposits	16,912	17,186
Other	19,562	21,839
Allowance for doubtful accounts	-119	-118
Total investments and other assets	57,344	60,547
Total non-current assets	176,487	164,175
Deferred assets	600	526
Total assets	239,032	240,529

(Unit: million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,667	10,426
Short-term borrowings	12,702	17,017
Current portion of bonds payable	5,280	5,080
Income taxes payable	1,764	273
Provision for bonuses	714	338
Provision for for director's bonuses	37	56
Provision for warranties for completed construction	3	3
Other	24,677	16,192
Total current liabilities	49,848	49,388
Non-current liabilities		
Bonds payable	28,540	25,600
Convertible bonds with share acquisition rights	30,142	30,120
Long-term loan payable	53,003	62,775
Provision for directors' retirement benefits	252	253
Retirement benefit liability	1,045	1,126
Other	5,414	5,199
Total non-current liabilities	118,398	125,075
Total liabilities	168,247	174,464
Net assets		
Shareholders' equity		
Share capital	7,964	7,964
Capital surplus	12,821	12,821
Retained earnings	50,831	46,113
Treasury shares	-357	-360
Total shareholders' equity	71,259	66,538
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55	77
Foreign currency translation adjustment	-555	-571
Remeasurements of defined benefit plans	24	21
Total accumulated other comprehensive income	-474	-472
Total net assets	70,784	66,065
Total liabilities and net assets	239,032	240,529

(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Income Statement)
 (Nine Months Ended December 31, 2021)

(Unit: million yen)

	Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net sales	91,343	105,066
Cost of sales	81,123	95,537
Gross profit (loss)	10,220	9,529
Selling, general and administrative expenses	13,964	14,783
Operating income (loss)	-3,744	-5,253
Non-operating income		
Interest income	57	82
Dividend income	52	43
Subsidy income	655	474
Compensation income	32	464
Other	225	255
Total non-operating income	1,022	1,320
Non-operating expenses		
Interest expenses	339	442
Expenses for measures for COVID-19	421	158
Other	270	337
Total non-operating expenses	1,031	938
Ordinary income (loss)	-3,753	-4,871
Extraordinary income		
Subsidy income	153	-
Total extraordinary income	153	-
Extraordinary losses		
Loss on temporary closing, etc.	2,886	-
Loss on store closings	2,145	153
Loss on disaster	-	52
Other	43	14
Total extraordinary losses	5,074	220
Net income (loss) before taxes	-8,674	-5,092
Income taxes	-1,021	-1,161
Net income (loss)	-7,653	-3,930
Net income (loss) attributable to owners of parent	-7,653	-3,930

(Quarterly consolidated statement of comprehensive income)
(Nine Months Ended December 31, 2021)

(Unit: million yen)

	Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Net income (loss)	-7,653	-3,930
Other comprehensive income		
Valuation difference on available-for-sale securities	83	21
Foreign currency translation adjustment	21	-16
Remeasurements of defined benefit plans	6	-3
Total other comprehensive income	112	1
Comprehensive income	-7,540	-3,929
(Breakdown)		
Comprehensive income attributable to owners of parent	-7,540	-3,929

(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 before income taxes for the consolidated fiscal year, including the third quarter of the fiscal year, and multiplying profit before income taxes for the first nine months 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)

(Application of Accounting Standards for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and other standards from the beginning of the first quarter of this consolidated fiscal year. The Company has decided to recognize revenue equal to the amount expected to receive 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. Additionally, the Company has changed its accounting method for consignment sales of transportation tickets and concession merchandise, 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.

The Company has applied the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for the application of revenue recognition standards, etc., 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, and the new accounting policy has been applied from the relevant beginning balance.

As a result, compared with the case where the previous accounting standard is applied, net sales and cost of sales for the first nine months of this fiscal year decreased by 445 million yen and 445 million yen, respectively, but the impact on operating loss is minor. There is 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.

Moreover, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company does not provide the breakdown of revenue generated from the customer contracts during the first nine months of the previous consolidated fiscal year.

(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). There is no 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 Taxation System from the first quarter of the current consolidated fiscal year.

(Application of tax effect accounting for the transition from the Consolidated Taxation 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 etc.)

[Segment Information]

I For the nine months ended December 31, 2020 (April 1, 2020 – December 31, 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 statement of income Note ³
	Dormitory	Hotel	Comprehen- sive Building Managemen- t	Food Service	Developme- nt	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
Inter-segmental sales or transfers	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 (loss)	3,489	-6,392	274	22	355	-2,252	565	-1,686	-2,057	-3,744

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), the support business for people who live alone, the insurance agency business, the comprehensive human-resource services, the financial business, the administrative outsourcing business, and other ancillary businesses.

2. Adjustment of segment profit (loss) of -2,057 million yen includes the elimination amount of -325 million yen inter-segment transactions and -1,731 million yen corporate expenses 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 (loss) is adjusted with operating loss 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 nine months ended December 31, 2021 (April 1, 2021 - December 31, 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 statement of income Note ³
	Dormitory	Hotel	Comprehen sive Building Managemen t	Food Service	Developme nt	Total				
Net sales										
Net sales to external customers	33,781	46,157	5,523	583	8,031	94,078	10,988	105,066	-	105,066
Inter-segmental sales or transfers	240	75	4,894	4,565	1,527	11,302	353	11,656	-11,656	-
Total	34,022	46,232	10,417	5,149	9,558	105,381	11,342	116,723	-11,656	105,066
Segment profit (loss)	2,997	-7,296	109	-40	648	-3,580	358	-3,221	-2,031	-5,253

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), the support business for people who live alone, the insurance agency business, the comprehensive human-resource services, the financial business, the administrative outsourcing business, and other ancillary businesses.

2. Adjustment of segment profit (loss) of -2,031 million yen includes the elimination amount of 47 million yen inter-segment transactions and -2,078 million yen corporate expenses 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 (loss) is adjusted with operating loss on the quarterly consolidated statement of income.

2. Information on change in reporting segment, etc.

(Application of Accounting Standards for Revenue Recognition, etc.)

As stated in "Changes in accounting policies", the Company has applied the Accounting Standard for Revenue Recognition and other standards from the beginning of the first quarter of the current consolidated fiscal year, and changed the accounting method related to revenue recognition. Accordingly, the Company also has changed the calculation method of profit or loss of business segment.

Due to these changes, net sales and cost of sales of the Hotel Business during the first nine months of the consolidated fiscal year have decreased by 224 million yen and 224 million yen respectively, and net sales and cost of sales of the Other Business decreased by 221 million yen and 221 million yen respectively, as compared to the case where the previous accounting method would have been applied. However, the impact on the segment loss is minor.

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

Not applicable