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Non-consolidated Financial Results for the Three Months Ended September 30, 2023 [Japanese GAAP]

November 10, 2023

Company name: KeePer Technical Laboratory Co., Ltd.

Stock exchange listing: Tokyo, Nagoya

Code number: 6036

URL: <https://keepergiken.co.jp/>

Representative: Toshiyuki Kaku

Representative Director, President, and COO

Contact: Ayako Yamashita

Chief Financial Officer

Phone: +81-562-45-5258

Scheduled date of filing quarterly securities report: November 10, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Non-consolidated Financial Results for the Three Months Ended September 30, 2023 (July 1, 2023 to September 30, 2023)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended September 30, 2023	4,762	25.7	1,176	0.5	1,181	0.1	798	(1.0)
September 30, 2022	3,788	16.2	1,170	46.6	1,180	45.9	807	45.2

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended September 30, 2023	29.28		-	
September 30, 2022	29.58		-	

(2) Non-consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2023	14,392		10,776		74.9	
June 30, 2023	15,079		11,151		73.9	

(Reference) Equity: As of September 30, 2023: ¥ 10,776 million
As of June 30, 2023: ¥ 11,151 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	-	0.00	-	43.00	43.00
Fiscal year ending June 30, 2024	-				
Fiscal year ending June 30, 2024 (Forecast)		0.00	-	50.00	50.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending June 30, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024(July 1, 2023 to June 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending December 31, 2023	10,585	23.6	3,396	12.6	3,396	11.6	2,364	13.3	86.66
Full year	21,137	24.0	6,602	20.6	6,602	20.7	4,595	16.1	168.44

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Accounting policies adopted specially for the preparation of quarterly Non-consolidated financial statements:

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023:	28,280,840 shares
June 30, 2023:	28,280,840 shares

2) Number of treasury shares at the end of the period:

September 30, 2023:	1,000,683 shares
June 30, 2023:	1,000,660 shares

3) Average number of shares outstanding during the period:

Three months ended September 30, 2023:	27,280,165 shares
Three months ended September 30, 2022:	27,280,324 shares

Explanation of Business Performance

As of the Q1 period (from July 1, 2023 to September 30, 2024), the Japanese economy has been following a mild recovery trend, with sustained expansion in personal consumption and capital investment. However, uncertainties persist due to factors such as rising energy prices, depreciation of the yen leading to price increases, and prolonged geopolitical risks.

In this environment, our company considers it crucial to further enhance the quality of KeePer Coating beyond previous standards. This not only contributes to improving performance but also establishes the branding of the KeePer brand with an eye towards future development.

Performance for the First Quarter of Fiscal Year June 2024

During the Q2 period, our sales revenue amounted to 4.762 billion yen (a 25.7% increase compared to the same period last year). Operating profit was 1.076 billion yen (a 0.5% increase), ordinary profit was 1.181 billion yen (a 0.1% increase), and net profit was 798 million yen (a 1.0% decrease).

Despite a significant increase in sales revenue, factors such as the rise in personnel expenses, including base salary adjustments, and a temporary decline in revenue in August-September resulted in operating profit and ordinary profit remaining at similar levels to the previous year.

Firstly, the number of employees increased from 809 in September of the previous year to 1,053 in September of this year, leading to an increase in personnel expenses of 418 million yen. The increase in personnel expenses due to base salary adjustments, after accounting for the impact of the increase in personnel, amounted to 116 million yen. The increase in personnel expenses in September, attributed to base salary adjustments, was offset by a revenue increase in car wash services, covering approximately 37 million yen of the 42 million yen increase. However, the base salary adjustments in July and August resulted in an increase in sales management expenses, which contributed to decreased profit. Going forward, we anticipate that the increase in personnel expenses due to base salary adjustments will be continuously offset by revenue generated from car wash price adjustments.

Additionally, last year, due to the broadcast of Cambria Palace, sales saw a significant expansion in the previous first quarter, with staff unable to meet the demand. This led to a profit level that was significantly higher than the usual seasonal trend. Subsequently, we actively increased our staff count and implemented an accelerated hiring plan in alignment with the growth in sales for the first quarter of the fiscal year ending June 2024. This was done in a manner that did not overburden our staff and allowed us to maintain an appropriate personnel cost ratio.

The increase in personnel expenses of 418 million yen for the first quarter is progressing in line with the company's full-year plan.

Secondly, in the LABO operation business, we experienced a strong start in July (a 24.0% increase compared to the previous year). However, from August onwards, there was a noticeable decrease in the number of Diamond KeePer series applications compared to the same period last year. This was attributed to the similarity between "Diamond Coat" offered by Big Motor Corporation and our own "Diamond KeePer," particularly in stores located in Tokyo, Yokohama, and Osaka. This impact persisted until mid-September (resulting in a 13.0% decrease in revenue for the first half of August compared to the previous year). Therefore, on September 15th, we posted the following message on the top page of the KeePer LABO website and on the pages of each store, and initiated promotional displays with posters at all KeePer LABO stores. As a result, the impact was largely mitigated, and revenue in the latter half of September recovered to a 22.7% increase compared to the previous year, ultimately achieving an 18.8% increase in revenue for the month.

**【ご注意】 (株)ビッグモーター様が提供の「ダイヤモンドコート」は、
当社の「ダイヤモンドキーパー」とは、全く関係なく別物です。 [詳しくはこちら](#)**

Assuming that the previous year's increased revenue rate in July continued without the negative impact, the estimated decrease due to this impact is approximately 117 million yen. This decline in revenue, accompanied by sales and management expenses not accounting for the anticipated impact, was a contributing factor in lowering the projected gross profit of 105 million yen.

KeePer LABO Operation Segment

The sales revenue for the KeePer LABO operations amounted to 2.629 billion yen (a 19.3% increase compared to the same period last year), while the segment profit was 461 million yen (a 20.7% decrease).

As mentioned earlier, the number of employees increased by 244 compared to the previous year, with 232 of them being in the LABO operations business. This increase was made to accommodate the planned new stores for this fiscal year, as well as for training and replenishment to support the revenue growth of existing stores. It is positioned as an investment in advance to support future sales expansion. As a result of the increase in personnel and base salary adjustments in the first quarter, personnel expenses increased by 334 million yen compared to the previous year. Additionally, there was a 105 million yen decrease in gross profit due to the temporary decline in "Diamond KeePer" sales.

Regarding the number of coating applications, EX KeePer had 2,872 applications (a 24.5% increase compared to the previous year), and the Diamond KeePer series showed growth in July with a 21.6% increase compared to the previous year. However, due to a slowdown in August and September, the total for the first quarter remained at 12,307 applications, which is a 15.6% increase compared to the previous year.

Furthermore, Crystal KeePer had 14,295 applications (a 13.5% decrease) due to the transition to the new service "Fresh KeePer." However, when combined with Fresh KeePer, which has the same durability period, there were a total of 20,206 applications (a 15.6% increase). The maintenance demand for each KeePer coating also showed an increase, with a 23.9% increase compared to the previous year.

The significant car wash price adjustment implemented in September was well-received by customers without major disruptions. In all LABO stores, the number of car washes in September increased by 14.9% compared to the same period last year. Among them, uncoated cars with a large price adjustment increased by only 2.3%, while cars with KeePer coating increased significantly by 37.6%.

As a result, the total number of visits in the first quarter was 170,228 (a 23.0% increase compared to the same period last year), with an average unit price of 15,652 yen (a 3.0% decrease).

(New Store Development)

New Openings in Q1

Store Name	Location	Opening Date
Fuchu	Fuchu, Tokyo	August 9, 2023
Hirano	Osaka, Osaka	September 29, 2023

Plan for New Openings in FY6/2024

Store Name (Temporary Name)	Location	Opening Month
Okayama	Okayama	Nov 22, 2023
Nishiharu	Kita Nagoya, Aichi	January 2024
Koshigaya	Koshigaya, Saitama	January 2024
Fukuoka Sawara	Fukuoka, Fukuoka	January 2024
Utsunomiya	Utsunomiya, Tochigi	February 2024
Taniwahara Inter	Tsukuba Mirai, Ibaraki	March 2024
Nara Daianji	Nara, Nara	March 2024
Kishiwada	Kishiwada, Osaka	March 2024
Ichikawa	Ichikawa, Chiba	April 2024
Kobe West	Kobe, Hyogo	April 2024
Kobe North	Kobe, Hyogo	April 2024
Ageo	Ageo, Saitama	May 2024
Sakai West	Sakai, Osaka	June 2024

Plan for Relocation in FY6/2024

Store	Location	Opening Month
New Matsudo East	Matsudo, Chiba	May 2024

(Renovation of Existing Stores)**Q1**

Store	Location	Booth Adds (# booths)	Renovation of the Washing and Finishing Sation
Fukuyama	Hiroshima	3→6	4
Suginami	Tokyo	4→6	

Plan

Store	Location	Booth Adds (# booths)	Renovation of the Washing and Finishing Station	Expansion of the Washing and Finishing Station	Other
Fukui Owada	Fukui	4→9	4		
Narumi	Tokyo	4→6	4		
Omiya	Saitama	4→7	3		
Urawa Misono	Saitama	3→5	3		
Kamimizo	Kanagawa	3→6 Training Center : 6→10			
Amagasaki	Hyogo	4→7			
Kooriyama	Fukushima	6→10	3		
246 Tamagawa	Kanagawa	3→6			
Takabari	Aichi	3→5	4		
Hachioji	Tokyo	6→10			
Yokkaichi	Mie	3→5			
Matsuzaka	Mie	2→6	3		
Ichihara	Chiba	3→7			
Togo	Aichi	4→8	3		
Adachi	Tokyo	7→12			Expansion of guest room
Fukuoka Kasuga	Fukuoka	4→6		3→4	Full renovation

In the first quarter, we conducted 46 mid-career recruitments to accommodate the increase in staff due to new store openings and the growth of existing stores. As of now, 98 new graduate recruits scheduled to join in April 2024 have been confirmed.

KeePer Products Related Segment

The sales revenue for the KeePer product and related businesses amounted to 2.132 billion yen (a 34.6% increase compared to the same period last year), while the segment profit was 714 million yen (a 21.6% increase). Despite an increase of 840 million yen in personnel expenses, we achieved a significant increase in both revenue and profit.

(Unit: ,000 yen)

Sales Breakdown	FY23/6月 Q1	% Total	FY24/6月 Q1	% Total	YoY
After-Market	1,245,538	78.6%	1,550,752	72.7%	+24.5%
New Car Market	279,876	17.6%	479,477	22.5%	+71.3%
Overseas	1,497	0.1%	11,392	0.5%	+660.8%
Non-Automotive	58,075	3.7%	90,999	4.3%	+56.7%
Total	1,584,988	100.0%	2,132,622	100.0%	+34.6%

In the "After-market," with a focus on KeePer PRO SHOPS, we saw a significant increase of 24.5% compared to the same period last year. The impact of the advertising campaign, which began in April, is starting to show results, with a notable increase in direct purchases of Fresh KeePer.

In the new car market, primarily centered around new car dealerships, we experienced a substantial leap of 71.3% compared to the same period last year. The composition ratio has also expanded to 22.5%, just slightly below the annual plan of 23.3%. This growth is primarily driven by a significant increase in coating applications for Honda and Toyota vehicles. Additionally, the initial response to Mitsubishi Motors' adoption of KeePer, which became a factory-installed option in July, has exceeded expectations. While SUBARU has had adoption for three years, we continue to actively pursue adoption activities, particularly for new models.

Similar to the PRO SHOPS, many customers now specifically request "KeePer as seen in the commercial," indicating a growing interest in adopting KeePer. Companies looking to implement KeePer are also becoming more prevalent. Sales companies that have implemented KeePer have experienced an increase in the attachment rate of coatings, as the strong product and brand power of KeePer makes it easier for sales staff to promote. This has led to higher coating revenues. These success stories exemplify the unique strengths of KeePer, and we anticipate continued expansion in the new car market.

Internationally, in addition to increased chemical purchases by KeePer PRO SHOPS in Taiwan, a dealership with 16 Lexus/Toyota outlets in South Korea has started operations since September.

In non-Automotive coating business, we have contributed to labor and time savings in retail drugstore locations by applying our coating to "display hooks." Furthermore, the coating application for "beverage vending machines" has commenced, receiving positive feedback for its reduced susceptibility to dirt and significantly decreased cleaning frequency. We are also preparing for the release of "bath coating," and the newly restructured external sales department is showing tangible progress.

Important Subsequent Event

(Disposition of Treasury Stock as Restricted Stock Compensation)

On October 10, 2023, during the Board of Directors meeting, our company resolved to dispose of treasury stock as restricted stock compensation and completed the payment procedures on November 9, 2023.

Purpose and Reason for Disposition

In the Board of Directors meeting held on August 24, 2023, our company resolved to introduce a new incentive system, the Restricted Stock Compensation System (hereinafter referred to as "the System"), aimed at achieving the sustained improvement of our corporate value for the directors (hereinafter referred to as "Target Directors") and executive officers who do not concurrently serve as directors (hereinafter, collectively referred to as "Target Directors, etc."). The purpose was to provide incentives for the sustainable improvement of our corporate value and to further promote value sharing with our shareholders. Additionally, in the 31st Regular Shareholders' Meeting held on September 27, 2023, based on the System, it was resolved to provide compensation in the form of monetary claims (hereinafter referred to as "Restricted Stock Compensation") for acquiring restricted stocks as investment assets. The total amount of monetary claims to be provided to directors (excluding audit committee members) as Restricted Stock Compensation was set at an annual amount of up to 100 million yen (up to 13.4 million yen for outside directors, excluding the salary portion for executive directors). The total amount of monetary claims to be provided to directors serving as audit committee members was set at an annual amount of up to 10 million yen (excluding the salary portion for executive directors serving as employees). The total number of newly issued or disposed of common shares was set at a maximum of 15,000 shares per year for directors (excluding audit committee members) (up to 2,000 shares for outside directors) and a maximum of 1,500 shares per year for directors serving as audit committee members, with the transfer restriction period for restricted stocks set by the Board of Directors for a period ranging from 3 years to 30 years.

Overview of the Disposition of Treasury Stock

(1) Type and Number of Shares to be Disposed: Common Stock of the Company, 11,800 shares

(2) Disposition Price: ¥5,730 per share

(3) Total Disposition Amount: ¥67,614,000

(4) Disposition Recipients, Number of Recipients, and Number of Disposed Shares:

Directors of the Company (excluding audit committee members): 6 individuals, 8,600 shares

Directors serving as audit committee members: 4 individuals, 1,200 shares

Executive officers who do not concurrently serve as directors: 4 individuals, 2,000 shares

(5) Disposition Date: November 9, 2023

Quarterly Non-consolidated Financial Statements
Quarterly Non-consolidated Balance Sheets

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	3,573,825	2,682,062
Notes receivable - trade	185,863	211,269
Accounts receivable - trade	1,356,868	1,390,050
Merchandise	1,163,271	1,085,372
Supplies	85,746	80,680
Prepaid expenses	255,878	162,204
Other	54,177	79,671
Allowance for doubtful accounts	(159)	(176)
Total current assets	6,675,471	5,691,135
Non-current assets		
Property, plant and equipment		
Buildings, net	4,102,480	4,284,410
Structures, net	250,830	246,545
Machinery and equipment, net	60,964	58,138
Vehicles, net	33,292	45,300
Tools, furniture and fixtures, net	191,094	202,404
Land	2,016,836	2,016,836
Construction in progress	76,509	45,098
Total property, plant and equipment	6,732,008	6,898,734
Intangible assets		
Software	74,009	80,249
Other	55,240	59,271
Total intangible assets	129,249	139,520
Investments and other assets		
Investment securities	20,364	20,704
Shares of subsidiaries and associates	1,000	1,000
Long-term prepaid expenses	43,451	40,147
Leasehold and guarantee deposits	511,654	524,446
Construction assistance fund receivables	277,799	272,683
Insurance funds	11,460	11,460
Deferred tax assets	396,797	441,527
Other	280,624	350,756
Total investments and other assets	1,543,152	1,662,726
Total non-current assets	8,404,410	8,700,981
Total assets	15,079,882	14,392,116

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	455,905	422,080
Current portion of long-term borrowings	48,000	48,000
Accounts payable - other	685,592	444,343
Income taxes payable	935,772	458,900
Accrued expenses	271,150	359,302
Provision for bonuses	54,859	247,388
Contract liabilities	231,297	252,985
Other	131,440	251,599
Total current liabilities	2,814,019	2,484,600
Non-current liabilities		
Long-term borrowings	112,000	100,000
Provision for retirement benefits	426,714	447,369
Provision for retirement benefits for directors (and other officers)	270,969	274,683
Asset retirement obligations	300,899	304,495
Other	4,043	4,043
Total non-current liabilities	1,114,626	1,130,590
Total liabilities	3,928,645	3,615,191
Net assets		
Shareholders' equity		
Share capital	1,347,557	1,347,557
Capital surplus	1,007,224	1,007,224
Retained earnings	10,983,406	10,609,060
Treasury shares	(2,189,329)	(2,189,469)
Total shareholders' equity	11,148,858	10,774,372
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,378	2,552
Total valuation and translation adjustments	2,378	2,552
Total net assets	11,151,236	10,776,925
Total liabilities and net assets	15,079,882	14,392,116

Quarterly Non-consolidated Statements of Income

Quarterly Non-consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Net sales	3,788,742	4,762,068
Cost of sales	674,819	882,130
Gross profit	3,113,922	3,879,937
Selling, general and administrative expenses	1,943,391	2,703,154
Operating profit	1,170,531	1,176,783
Non-operating income		
Interest income	391	562
Foreign exchange gains	7,861	1,254
Commission income	1,618	2,032
Other	302	637
Total non-operating income	10,173	4,485
Non-operating expenses		
Interest expenses	539	95
Other	3	19
Total non-operating expenses	542	115
Ordinary profit	1,180,161	1,181,154
Extraordinary income		
Gain on sale of non-current assets	9	669
Total extraordinary income	9	669
Extraordinary losses		
Loss on sale and retirement of non-current assets	1,328	1,434
Total extraordinary losses	1,328	1,434
Profit before income taxes	1,178,842	1,180,389
Income taxes - current	374,940	426,493
Income taxes - deferred	(3,111)	(44,806)
Total income taxes	371,828	381,687
Profit	807,013	798,702