

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 11, 2020

Company name: ABHOTEL CO.,LTD.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 6565 URL <https://www.ab-hotel.jp/>
 Representative: President Kazuki Kutsuna
 Inquiries: Director, General Manager Yusuke Yamashita TEL 0566(79)3013
 Scheduled date of ordinary general meeting of shareholders: June 25, 2020
 Scheduled date to file Securities Report: June 29, 2020
 Scheduled date to commence dividend payments: June 26, 2020
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	6,295	14.2	1,333	(5.4)	1,297	(7.2)	891	0.5
Year ended March 31, 2019	5,514	24.8	1,409	18.2	1,398	22.0	887	22.7

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	62.86	–	15.7	7.1	21.2
Year ended March 31, 2019	62.57	62.35	18.3	8.9	25.6

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	19,106	6,062	31.7	427.66
As of March 31, 2019	17,528	5,256	30.0	370.79

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	1,713	(637)	(397)	3,903
Year ended March 31, 2019	1,463	(2,404)	1,577	3,223

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	–	0.00	–	6.00	6.00	85	9.6	1.6
Year ended March 31, 2020	–	0.00	–	6.00	6.00	85	9.5	1.4
Year ending March 31, 2021 (Forecast)	–	–	–	–	–		–	

3. Notes

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:	No
Changes in accounting policies due to other reasons:	No
Changes in accounting estimates:	No
Restatement of prior period financial statements:	No

(2) Number of issued shares (common shares)

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

As of March 31, 2020	14,176,000 shares	As of March 31, 2019	14,176,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	254 shares	As of March 31, 2019	254 shares
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Average number of shares during the period

Year ended March 31, 2020	14,175,746 shares	Year ended March 31, 2019	14,175,817 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	3,223,354	3,903,086
Accounts receivable - trade	261,279	219,330
Supplies	24,557	18,040
Prepaid expenses	52,235	63,624
Other	70,139	29,512
Total current assets	3,631,566	4,233,595
Non-current assets		
Property, plant and equipment		
Buildings	9,818,493	10,700,854
Accumulated depreciation	(1,730,174)	(1,803,827)
Buildings, net	8,088,318	8,897,026
Structures	582,322	608,834
Accumulated depreciation	(184,644)	(196,295)
Structures, net	397,678	412,539
Machinery and equipment	51,815	44,389
Accumulated depreciation	(29,261)	(31,268)
Machinery and equipment, net	22,553	13,121
Tools, furniture and fixtures	247,714	208,060
Accumulated depreciation	(167,420)	(146,028)
Tools, furniture and fixtures, net	80,293	62,031
Land	1,236,048	989,154
Leased assets	3,277,307	3,544,741
Accumulated depreciation	(552,825)	(599,170)
Leased assets, net	2,724,482	2,945,571
Construction in progress	693,252	795,393
Total property, plant and equipment	13,242,627	14,114,837
Intangible assets		
Software	6,394	1,670
Other	13,193	18,680
Total intangible assets	19,588	20,351
Investments and other assets		
Investments in capital	40	40
Long-term prepaid expenses	6,875	2,377
Investment securities	—	500
Deferred tax assets	85,057	145,650
Leasehold and guarantee deposits	481,206	567,249
Deposits for stores in preparation	41,454	12,725
Membership	950	950
Other	15,610	7,194
Total investments and other assets	631,194	736,688
Total non-current assets	13,893,411	14,871,877
Deferred assets		
Share issuance costs	3,172	1,268
Total deferred assets	3,172	1,268
Total assets	17,528,150	19,106,741

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Short-term borrowings	–	250,000
Current portion of long-term borrowings	1,274,686	1,256,994
Lease obligations	397,515	345,130
Accounts payable - other	623,733	751,647
Accrued expenses	41,261	43,191
Income taxes payable	352,458	333,171
Advances received	58,860	42,366
Deposits received	8,076	8,930
Provision for point card certificates	14,060	14,250
Other	17	203,946
Total current liabilities	2,770,669	3,249,627
Non-current liabilities		
Long-term borrowings	6,538,532	6,366,618
Lease obligations	2,361,868	2,647,257
Provision for retirement benefits	–	463
Provision for retirement benefits for directors (and other officers)	20,530	26,920
Asset retirement obligations	554,729	712,048
Guarantee deposits received	25,477	41,457
Total non-current liabilities	9,501,137	9,794,764
Total liabilities	12,271,806	13,044,392
Net assets		
Shareholders' equity		
Share capital	953,920	953,920
Capital surplus		
Legal capital surplus	878,920	878,920
Other capital surplus	508,518	508,518
Total capital surpluses	1,387,438	1,387,438
Retained earnings		
Other retained earnings		
Reserve for special depreciation	98,380	65,586
Retained earnings brought forward	2,817,198	3,655,997
Total retained earnings	2,915,578	3,721,584
Treasury shares	(593)	(593)
Total shareholders' equity	5,256,343	6,062,349
Total net assets	5,256,343	6,062,349
Total liabilities and net assets	17,528,150	19,106,741

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	5,514,751	6,295,918
Cost of sales	3,576,843	4,402,134
Gross profit	1,937,907	1,893,783
Selling, general and administrative expenses		
Promotion expenses	33,617	21,216
Sales commission	100,989	138,272
Provision for point card certificates	1,180	190
Remuneration for directors (and other officers)	77,600	84,185
Provision for retirement benefits for directors (and other officers)	6,520	6,765
Salaries and bonuses	68,422	90,309
Retirement benefit expenses	–	463
Rent expenses	56,610	41,357
Taxes and dues	48,164	83,481
Depreciation	2,494	2,137
Other	132,539	91,948
Total selling, general and administrative expenses	528,137	560,327
Operating profit	1,409,769	1,333,456
Non-operating income		
Interest income	12	15
Commission income	29,387	25,501
Rental income	2,133	2,180
Subsidy income	39,102	24,180
Other	7,698	2,886
Total non-operating income	78,335	54,764
Non-operating expenses		
Interest expenses	69,618	75,587
Other	20,136	15,253
Total non-operating expenses	89,755	90,841
Ordinary profit	1,398,349	1,297,380
Extraordinary income		
National subsidies	76,132	–
Gain on sales of non-current assets	–	311,671
Total extraordinary income	76,132	311,671
Extraordinary losses		
Loss on retirement of non-current assets	414	3,484
Loss on sales of non-current assets	–	68,059
Loss on tax purpose reduction entry of non-current assets	76,132	–
Loss on cancellation of rental contracts	–	116,052
Total extraordinary losses	76,546	187,596
Profit before income taxes	1,397,935	1,421,454
Income taxes - current	554,496	590,987
Income taxes - deferred	(43,577)	(60,592)
Total income taxes	510,919	530,394
Profit	887,015	891,060

Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings	
					Reserve for special depreciation	Retained earnings brought forward		
Balance at beginning of period	953,920	878,920	508,518	1,387,438	131,173	1,968,268	2,099,441	(439)
Changes during period								
Reversal of reserve for special depreciation					(32,793)	32,793	–	
Dividends of surplus						(70,879)	(70,879)	
Purchase of treasury shares								(154)
Profit						887,015	887,015	
Total changes during period	–	–	–	–	(32,793)	848,930	816,136	(154)
Balance at end of period	953,920	878,920	508,518	1,387,438	98,380	2,817,198	2,915,578	(593)

	Shareholders' equity	Total net assets
	Total shareholders' equity	
Balance at beginning of period	4,440,360	4,440,360
Changes during period		
Reversal of reserve for special depreciation	–	–
Dividends of surplus	(70,879)	(70,879)
Purchase of treasury shares	(154)	(154)
Profit	887,015	887,015
Total changes during period	815,982	815,982
Balance at end of period	5,256,343	5,256,343

Fiscal year ended March 31, 2020

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings	
					Reserve for special depreciation	Retained earnings brought forward		
Balance at beginning of period	953,920	878,920	508,518	1,387,438	98,380	2,817,198	2,915,578	(593)
Changes during period								
Reversal of reserve for special depreciation					(32,793)	32,793	–	
Dividends of surplus						(85,054)	(85,054)	
Profit						891,060	891,060	
Total changes during period	–	–	–	–	(32,793)	838,799	806,006	–
Balance at end of period	953,920	878,920	508,518	1,387,438	65,586	3,655,997	3,721,584	(593)

	Shareholders' equity	Total net assets
	Total shareholders' equity	
Balance at beginning of period	5,256,343	5,256,343
Changes during period		
Reversal of reserve for special depreciation	–	–
Dividends of surplus	(85,054)	(85,054)
Profit	891,060	891,060
Total changes during period	806,006	806,006
Balance at end of period	6,062,349	6,062,349

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	1,397,935	1,421,454
Depreciation	517,664	642,720
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6,520	6,390
Increase (decrease) in provision for retirement benefits	–	463
Interest and dividend income	(12)	(15)
Interest expenses	69,618	75,587
Amortization of share issuance costs	1,903	1,903
State subsidy	(76,132)	–
Loss (gain) on sales of non-current assets	–	(243,611)
Loss on retirement of non-current assets	414	3,484
Loss on tax purpose reduction entry of non-current assets	76,132	–
Loss on cancellation of rental contracts	–	116,052
Decrease (increase) in trade receivables	(72,698)	41,949
Decrease (increase) in inventories	(13,080)	6,517
Decrease/increase in consumption taxes receivable/payable	(52,726)	257,932
Decrease (increase) in other assets	1,972	(20,039)
Increase (decrease) in other liabilities	173,595	89,307
Subtotal	2,031,105	2,400,097
Interest and dividends received	12	15
Interest paid	(69,564)	(75,959)
Income taxes paid	(497,703)	(610,177)
Net cash provided by (used in) operating activities	1,463,849	1,713,975
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	–	1,846,191
Purchase of property, plant and equipment	(2,334,895)	(2,392,752)
Purchase of investment securities	–	(500)
Payments of guarantee deposits	(59,981)	(91,714)
Proceeds from cancellation of insurance funds	–	8,800
Other, net	(9,657)	(7,255)
Net cash provided by (used in) investing activities	(2,404,534)	(637,230)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	250,000
Proceeds from long-term borrowings	2,900,000	2,000,000
Repayments of long-term borrowings	(1,055,796)	(2,189,606)
Dividends paid	(70,861)	(85,042)
Purchase of treasury shares	(154)	–
Repayments of lease obligations	(196,184)	(372,364)
Net cash provided by (used in) financing activities	1,577,004	(397,012)
Net increase (decrease) in cash and cash equivalents	636,319	679,732
Cash and cash equivalents at beginning of period	2,587,035	3,223,354
Cash and cash equivalents at end of period	3,223,354	3,903,086