



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

**Summary of Financial Statement
for the Three Months Period Ended June 30, 2019**
[JGAAP] (Consolidated)

August 2019



Summary of Financial Statements for the Three Months Period Ended June 30, 2019 [JGAAP] (Consolidated)

August 9, 2019

Company Name: Kyoritsu Maintenance Co., Ltd. Stock Exchange listing: Tokyo
 Stock Code: 9616, URL: <https://www.kyoritsugroup.co.jp/>
 Representative: Takumi Ueda, President
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 Scheduled date of quarterly securities report submission (Projected): August 13, 2019
 Scheduled date of dividend payment commencement (Projected): -
 Supplementary materials for the first quarter financial statements: Yes
 Presentation to explain for the first quarterly financial statements: None

(Million JPY, rounded down to the nearest million)

1. Consolidated financial results for the first quarter of the fiscal year Ended June 2019 (April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (Year to date)

(% figures represent changes over the same period of the previous year)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/20 Q1	42,169	14.3	3,154	23.7	3,019	24.8	2,077	32.1
FY3/19 Q1	36,880	7.5	2,549	1.7	2,419	(2.9)	1,572	2.7

(Note) Comprehensive income: ¥1,795 million (+12.8% YoY) in FY3/20 Q1; ¥1,591 million (+2.3% YoY) in FY3/19 Q1

	EPS		Fully Diluted EPS	
	Yen		Yen	
FY3/20 Q1	53.29		—	
FY3/19 Q1	40.34		37.17	

Note: Fully diluted EPS in FY3/20 Q1 is not showed because there were no dilutive shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2019	207,816	80,389	38.7	2,061.78
As of March 31, 2019	202,531	79,570	39.3	2,040.75

(Reference) Own capital: ¥80,389 million as of June 30, 2019; ¥79,570 million as of March 31, 2019

2. Dividends

	Annual Dividend Per Share				
	Q1-End	Q2-End	Q3-End	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY3/19	—	20.00	—	25.00	45.00
FY3/20	—				
FY3/20 (Projected)		22.00	—	25.00	47.00

(Note) Modifications in the dividend projections from the latest announcement: None

3. Forecasts for consolidated operating results for FY3/20 (April 1, 2019 to March 31, 2020)

(% figures represent changes from previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Company		EPS
	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Yen
FY3/20	183,000	12.4	15,700	7.8	15,400	7.5	10,200	6.6	261.60

(Note) Modifications in consolidated operating results from the latest announcement: None

Notes

- (1) Changes in significant subsidiaries during the period, including changes in specified subsidiaries resulting in the change in consolidation scope: None
- (2) Application of special accounting procedures in the preparation of our quarterly consolidated financial statements: Applicable (Note) Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to quarterly consolidated financial statements (Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)” on page 11 for more details.
- (3) Changes in accounting policies, changes in accounting estimates and restatements:
 - 1. Changes in accounting policies required by revision in accounting standards: None
 - 2. Changes in accounting policies other than 1: None
 - 3. Changes in accounting estimates: None
 - 4. Restatements: None

- (4) Number of shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock) at term end
 - 2. Number of shares of treasury stock as of term end
 - 3. Average number of outstanding shares (Q1 year to date)

June 30, 2019	39,218,330	March 31, 2019	39,218,330
June 30, 2019	227,834	March 31, 2019	227,634
FY3/20 Q1	38,990,634	FY3/19 Q1	38,983,766

* This summary of quarterly financial statements is exempt from quarterly review procedures by auditors.

* Note to ensure appropriate use of forecasts, and other noteworthy items:
(Notes on all forecasts in this document)

All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ. Moreover, for information regarding financial forecast earnings and the assumptions upon which they are based, and the usage of this financial forecast, please refer to the section, “1. Financial highlights for the three months period ended June 30, 2019, (3) Outlook for FY 3/20” on page 6.

(Method for obtaining supplementary explanatory information on quarterly financial results)

The Company will post supplementary explanatory information on quarterly financial results on its website.

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1. Financial highlights for the three months period ended June 30, 2019

(1) Business Performance

Our business environment remained favorable for our core business of dormitory and hotel mainly due to an increase in foreign students attending Japanese universities/colleges and companies to introduce a system of dormitories for employees, continued growth in the number of inbound tourism and a growing demand for domestic travel coming from ten-day Golden Week holiday in May. At the same time, there were still areas of concern, including labor shortages, the US-China trade dispute and deteriorating relations between Japan and Republic of Korea.

Under the circumstances, we proactively pursued further improvement of customer satisfaction and advanced development which are the two core components of the medium-term management plan.

As a result, revenue in the first quarter increased 14.3% year on year to ¥42,169 million mainly driven by the opening of new facilities and ten-day Golden Week holiday. The company recorded the expenses related to preparations to open new facilities, as well as the huge renewal expenses for further improvement of customer satisfaction in the first quarter, but these were fully offset by revenue growth and sales and lease back of real estate. Consequently, operating profit increased 23.7% year on year to ¥3,154 million, ordinary profit increased 24.8% to ¥3,019 million and profit attributable to owners of the company increased 32.1% to ¥2,077 million. The Company reached the highest-ever profit for the first quarter.

We provide details of financial performance in the first quarter by business segment as follows:

Dormitory Business

In the dormitory business, we have opened a total of 13 new dormitories with 1,451 rooms nationwide in the first quarter, including the Meiji University Global Village, a dormitory for international student exchange opened in April. The dormitory business for students achieved solid growth partially driven by an increase in foreign students attending Japanese universities/colleges, and the dormitory business for employees also saw an increase in companies to introduce a system of dormitory, as well as an increase in companies with whom we have already had transactions. As a result, initial occupancy rates at the beginning of the fiscal year in April increased 1.0 pp year on year to 98.7%, getting the year off to a good start. As a result, revenue increased 4.5% year on year to ¥13,016 million and operating profit increased 4.8% to ¥2,088 million, fully offsetting the approximately ¥190 million in expenses for the preparations to open new dormitories.

Hotel Business

With respect to the Dormy Inn business, we have opened a total of 2 hotels of “Natural Hot Spring Myogi no Yu Dormy Inn Maebashi” and “Natural Hot Spring Habutae no Yu Dormy Inn Fukui” in the first quarter. Also, in addition to an ongoing increase in inbound tourism, many domestic customers also visited mainly due to ten-day Golden Week holiday. Consequently, RevPar (the average room price multiplied by the occupancy rate for each room), one of the key performance indicators, increased 5.2% over the previous year. Coupled with an increase in the number of rooms, these factors boosted revenue and operating profit in the first quarter significantly.

In the resort business, we have opened “Echigo Yuzawa Onsen Yukemuri no Yado Yuki no Hana” in the first quarter. Although some resort hotels were closed for a given period of time due to construction work for renovations, strong results during Golden Week contributed, and RevPar also exceeded levels in the previous fiscal year by 6.0%. Moreover, we thoroughly implemented tight control of cost by means of flexible personnel assignments tailored to occupancy conditions. As a result, revenue increased 12.3% year on year to ¥19,874 million, and operating profit increased 25.5% to ¥1,683 million, fully offsetting the approximately ¥480 million in expenses related to preparations to open new facilities, etc. including the portion arising from new facilities scheduled to be opened in future, as well as the approximately ¥39 million of huge renewal expenses for existing facilities.

Comprehensive Building Management business

In the comprehensive building management business, revenue increased 13.0% year on year to ¥3,972 million and operating profit increased 1,380.3% to ¥91 million mainly driven by an increase in construction projects and contracts for building custodial service.

Food Service Business

In the food service business, revenue increased 8.3% year on year to ¥1,747 million and operating profit increased 463.3% to ¥50 million mainly due to growth in the number of contracted hotel restaurants managed.

Development Business

In the development business, revenue increased 19.4% year on year to ¥4,149 million and operating profit increased 61.7% to ¥195 million mainly driven by progress with development and the sales and lease back of real estate.

Other business

Our other business segments are the Senior Life business (management of senior citizen housing), the Public Kyoritsu Partnership business (PKP: commissioned services business for regional government bodies), single life support business and insurance agency business, comprehensive human resource services business, and financing and administrative outsourcing services. Revenue of the other business segments increased 10.9% year on year to ¥3,448 million and operating profit was ¥8 million, in comparison with an operating loss of ¥68 million in the same period of the previous fiscal year. The Senior Life business and the PKP business have grown steadily.

(2) Consolidated Financial Position

(Assets)

Total assets as of June 30, 2019 were ¥207,816 million, reflecting an increase of ¥5,285 million compared to the end of the previous fiscal year mainly due to an increase in real estate for sale in process and buildings and structures.

(Liabilities)

Total liabilities as of June 30, 2019 were ¥127,426 million, reflecting an increase of ¥4,465 million compared to the end of the previous fiscal year due to an increase in interest-bearing debt.

(Net assets)

Total net assets as of June 30, 2019 were ¥80,389 million, reflecting an increase of ¥819 million compared to the end of the previous fiscal year due to an increase in retained earnings.

Consequently, the shareholders' equity ratio at the end of the first quarter decreased by 0.6 pp from the end of the previous fiscal year to 38.7%.

(3) Outlook for FY3/20

The Company got the year off to a good start and plans to do some additional sales and lease backs of real estate in future. Nevertheless, at this point, we do not change the FY3/20 consolidated financial forecasts, announced on May 15, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

	FY3/19 (March 31, 2019)	FY3/20 Q1 (June 30, 2019)
(Unit: Millions of yen)		
Assets		
Current assets		
Cash and deposits	16,643	16,785
Notes and accounts receivable–trade	9,273	9,308
Real estate for sale	288	214
Real estate for sale in process	6,815	13,298
Costs on uncompleted construction contracts	297	222
Others excluding allowance for loan losses	7,763	8,435
Allowance for loan losses	(25)	(50)
Total current assets	41,056	48,213
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,411	47,488
Land	44,598	42,803
Construction in progress	17,615	12,559
Others, net	3,365	3,724
Total property, plant and equipment	108,991	106,575
Intangible assets	3,236	3,258
Investments and other assets		
Investment securities	5,126	4,830
Guarantee deposits	16,462	16,529
Lease deposits	14,981	14,764
Others excluding allowance for doubtful accounts	12,201	13,185
Allowance for doubtful accounts	(202)	(197)
Total investments and other assets	48,569	49,113
Total non-current assets	160,796	158,947
Deferred assets	678	656
Total assets	202,531	207,816

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(Unit: Millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 Q1 (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	6,788	6,311
Short-term loans payable	10,420	20,991
Current portion of bonds	5,730	5,505
Income taxes payable	2,985	1,261
Provision for bonuses	2,359	688
Provision for directors' bonuses	495	129
Provision for warranties for completed construction	9	9
Provision for point card certificates	3	3
Others	21,247	20,478
Total current liabilities	50,040	55,378
Non-current liabilities		
Bonds payable	39,100	38,600
Convertible bond-type bonds with subscription rights to shares	19,995	19,995
Long-term loans payable	7,707	7,243
Net defined benefit liability	1,083	1,109
Director retirement benefit reserve	271	272
Provision for point card certificates	6	6
Others	4,757	4,821
Total non-current liabilities	72,921	72,047
Total liabilities	122,961	127,426
Net assets		
Shareholders' equity		
Capital stock	7,960	7,960
Capital surplus	12,816	12,816
Retained earnings	59,186	60,289
Treasury shares	(349)	(350)
Total shareholders' equity	79,613	80,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	367	192
Foreign currency translation adjustment	(422)	(528)
Remeasurements of defined benefit plans	11	9
Total accumulated other comprehensive income	(43)	(325)
Total net assets	79,570	80,389
Total liabilities and net assets	202,531	207,816

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(2) Quarterly consolidated income statement and comprehensive income statement
(Quarterly consolidated income statement – Q1 year to date)

(Unit: Millions of yen)

	FY3/19 Q1 (April 1, 2018 to June 30, 2018)	FY3/20 Q1 (April 1, 2019 to June 30, 2019)
Revenue	36,880	42,169
Cost of sales	28,709	32,997
Gross profit	8,171	9,172
Selling, general and administrative expenses	5,622	6,018
Operating profit	2,549	3,154
Non-operating profit		
Interest income	17	18
Dividend income	43	32
Others	24	34
Total non-operating profit	84	84
Non-operating expense		
Interest expenses	110	86
Sales discounts	46	44
Others	58	89
Total non-operating expenses	214	219
Ordinary profit	2,419	3,019
Extraordinary profit		
Gain on sales of investment securities	—	217
Total extraordinary profit	—	217
Extraordinary losses		
Loss on sales of property, plant and equipment	3	—
Loss on valuation of golf club membership	—	5
Total extraordinary losses	3	5
Profit before income taxes	2,415	3,231
Income tax expenses	843	1,153
Net profit	1,572	2,077
Profit attributable to owners of the Company	1,572	2,077

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(Quarterly consolidated comprehensive income statements – Q1 year to date)

(Unit: Millions of yen)

	FY3/19 Q1 (April 1, 2018 to June 30, 2018)	FY3/20 Q1 (April 1, 2019 to June 30, 2019)
Net profit	1,572	2,077
Other comprehensive income		
Valuation difference on available-for-sale securities	45	(174)
Foreign currency translation adjustment	(26)	(106)
Remeasurements of defined benefit plans	(0)	(1)
Total other comprehensive income	18	(282)
Comprehensive income	1,591	1,795
(Details)		
Comprehensive income attributable to owners of the Company	1,591	1,795

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable

(Significant Changes in the amount of Shareholders' Equity)

Not applicable

(Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)

(Calculation of income tax expenses)

The Company applies the method that reasonably estimates an effective tax rate to be assessed on profit before income tax expenses for FY3/20, including the first three months ended June 30, 2019, after accounting for the tax effects, and multiplies profit before income tax expenses during the three months ended June 30, 2019 by this estimated effective tax rate. However, in the event that the estimate for the effective tax rate appears to lack logical rationale, then the legally determined effective tax rate is employed.

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(Segment information)

I. First quarter of FY3/19 (From April 1, 2018 to June 30, 2018)

1. Revenue, profit and loss by reporting segment

(Unit: Millions of yen)

	Reporting segments						Others (Note 1)	Total	Adjustments (Note 2)	The amount to be booked in quarterly consolidated financial statements (Note 3)
	Dormitory business	Hotel business	Comprehensive building management business	Food business	Development business	Subtotal				
Revenue										
External revenue	12,371	17,664	1,729	323	1,818	33,907	2,973	36,880	—	36,880
Intersegment revenue and transfers	84	40	1,787	1,290	1,658	4,860	135	4,996	(4,996)	—
Total	12,455	17,704	3,516	1,614	3,476	38,768	3,109	41,877	(4,996)	36,880
Profit and loss	1,993	1,341	6	8	120	3,470	(68)	3,402	(852)	2,549

- (Notes) 1. “Others” is not considered as a reporting business segment and is incorporated in the Senior Life business (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing, administrative outsourcing services and other related services.
2. Adjustment for segment profit and loss of ¥852 million includes ¥71 million for inter-segment transaction eliminations and ¥781 million in companywide expenses that cannot be allocated to specific reporting segments. Companywide expenses are primarily made up of corporate management divisions’ expenses.
3. Segment profit or loss has been adjusted to operating profit described in the quarterly consolidated income statement.

2. Impairment accounting losses and goodwill amortization of fixed assets by reporting segment

Not applicable

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II. First quarter of FY3/20 (From April 1, 2019 to June 30, 2019)

1. Revenue, profit and loss by reporting segment

(Unit: Millions of yen)

	Reporting segments						Others (Note 1)	Total	Adjustments (Note 2)	The amount to be booked in quarterly consolidated financial statements (Note 3)
	Dormitory business	Hotel business	Comprehensive building management business	Food business	Development business	Subtotal				
Revenue										
External revenue	12,934	19,840	1,676	359	4,058	38,869	3,300	42,169	—	42,169
Intersegment revenue and transfers	81	33	2,296	1,388	91	3,892	148	4,040	(4,040)	—
Total	13,016	19,874	3,972	1,747	4,149	42,761	3,448	46,210	(4,040)	42,169
Profit and loss	2,088	1,683	91	50	195	4,108	8	4,117	(963)	3,154

(Notes) 1. “Others” is not considered as a reporting business segment and is incorporated in the Senior Life business (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing, administrative outsourcing services and other related services.

2. Adjustment for segment profit and loss of ¥963 million includes ¥63 million for inter-segment transaction eliminations and ¥899 million in companywide expenses that cannot be allocated to specific reporting segments. Companywide expenses are primarily made up of corporate management divisions’ expenses.

3. Segment profit or loss has been adjusted to operating profit described in the quarterly consolidated income statement.

2. Impairment accounting losses and goodwill amortization of fixed assets by reporting segment

Not applicable