

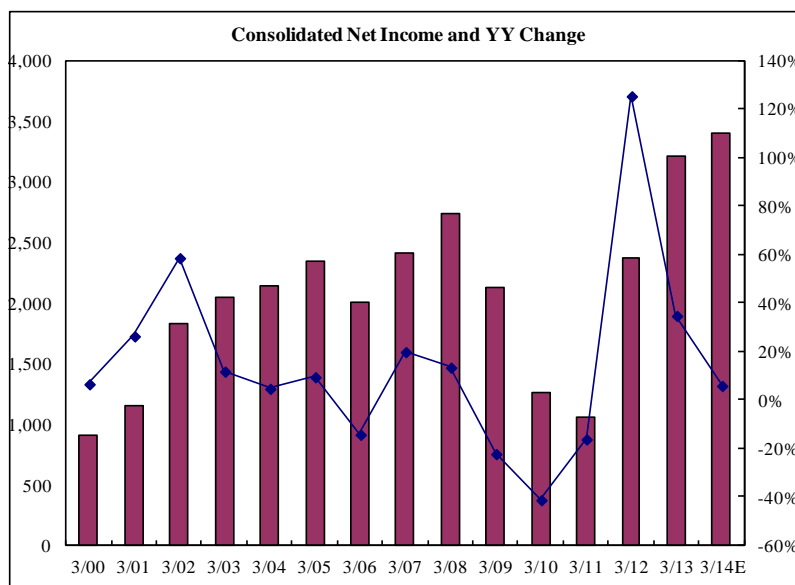
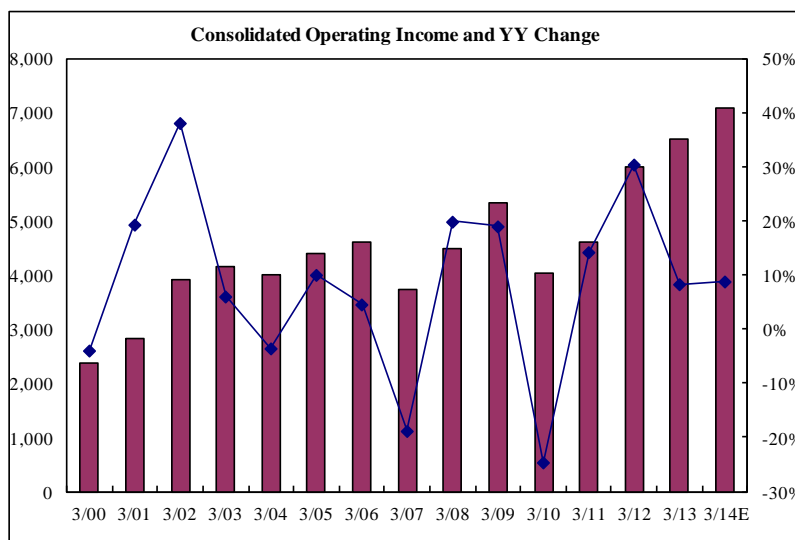
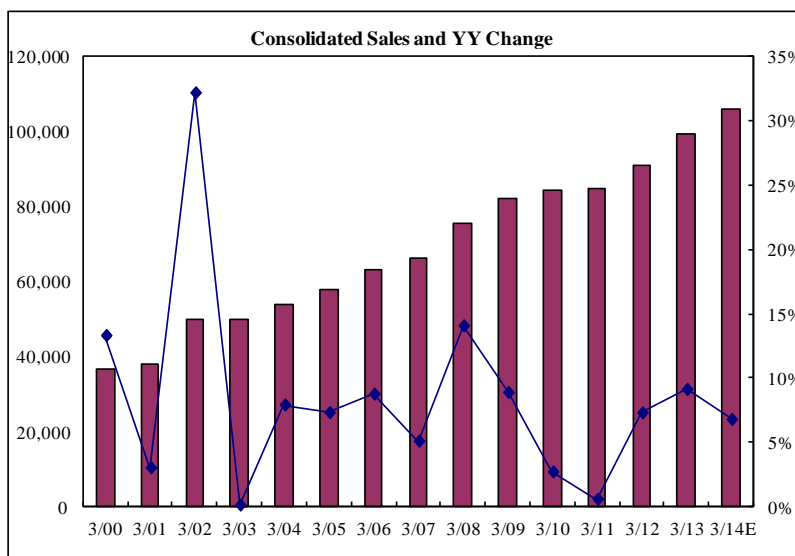


**Kyoritsu Maintenance Co., Ltd.**  
(Securities Code: 9616)

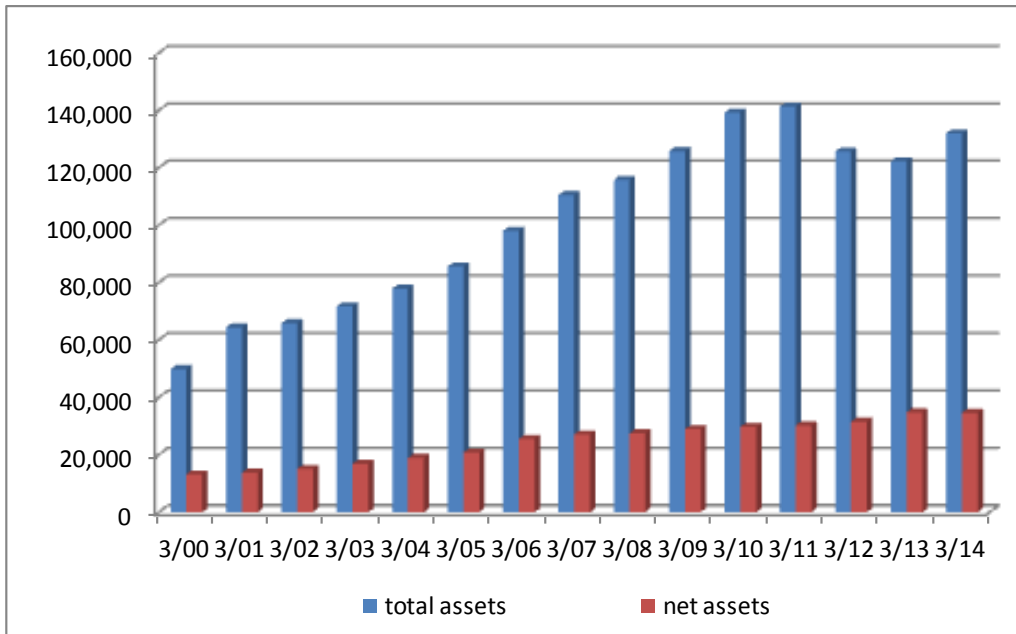
**First Quarter of Fiscal Year March 2015  
Consolidated Earnings Results Update**

**August 2014**

# Kyoritsu Maintenance Consolidated Financial Data at a Glance

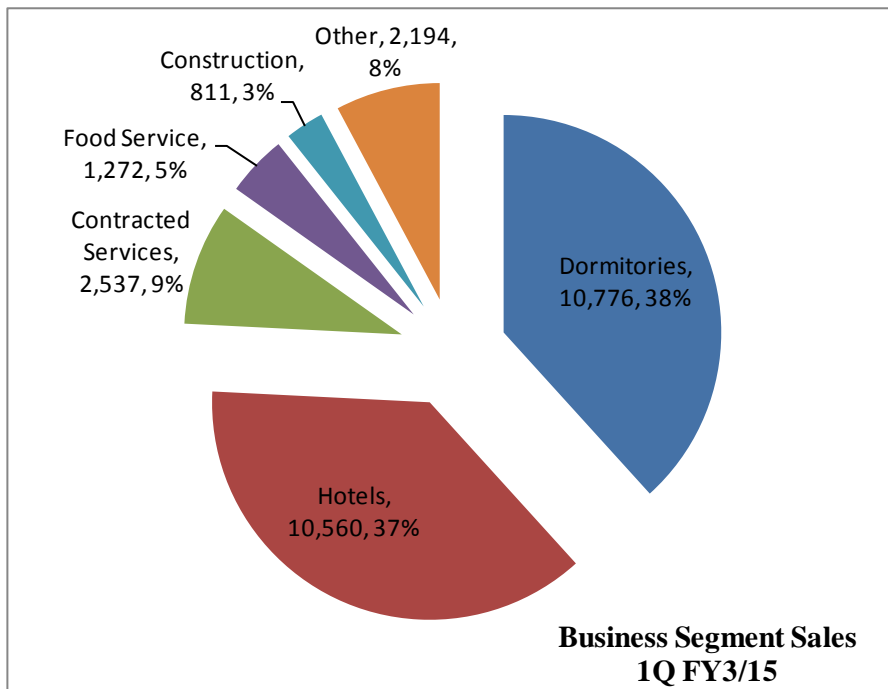
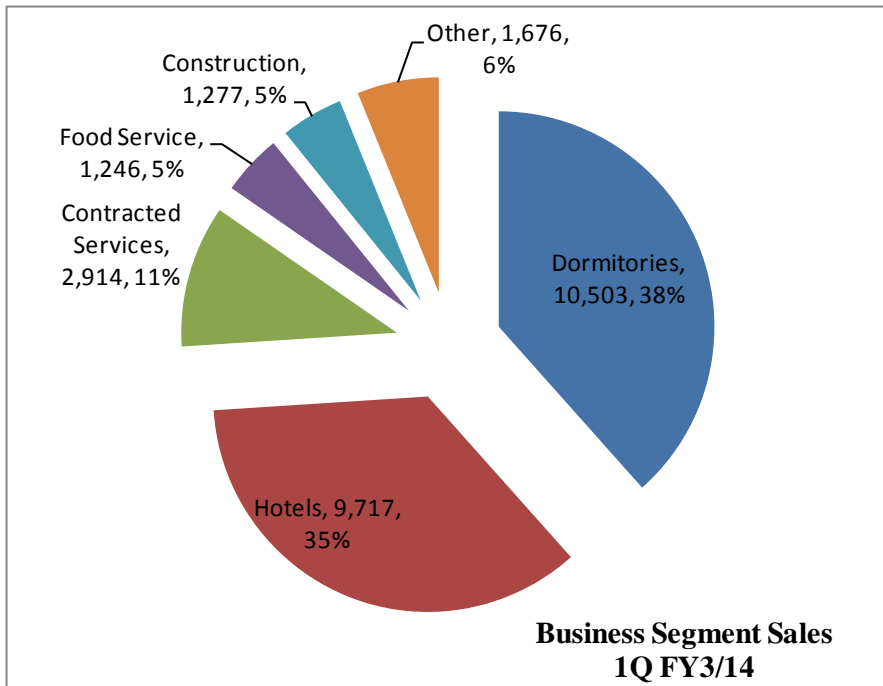


(Units: Million Yen)



(Units: Million Yen)





(Units: Million Yen)

<b>Consolidated Income Statement</b>														
	3/05	3/06	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14	3/15E		IQ3/1	IQ3/15
net sales	58,014	63,085	66,287	75,606	82,303	84,513	84,983	91,170	99,472	105,216	112,100	*	24,742	25,513
gross income	10,894	11,783	12,242	14,183	15,507	13,957	15,408	17,863	19,910	21,524	na	*	4,523	4,775
operating income	4,407	4,611	3,745	4,492	5,349	4,033	4,610	6,017	6,521	7,490	7,940	*	1,079	1,102
ordinary income	4,411	4,824	3,787	4,167	4,510	3,012	3,308	4,602	5,599	6,796	7,100	*	820	914
net income	2,343	2,011	2,413	2,740	2,133	1,254	1,052	2,376	3,206	3,821	4,000	*	420	551
												*		
												*		
<b>Consolidated Balance Sheet</b>														
current assets	23,254	23,350	24,901	19,967	21,852	23,104	36,783	28,234	30,852	37,473	na	*	24,770	29,411
fixed assets	62,336	74,681	85,562	95,728	103,891	115,980	104,428	97,319	91,335	94,434	na	*	91,459	95,080
total assets	85,620	98,047	110,507	115,738	125,793	139,209	141,314	125,649	122,259	131,995	na	*	116,299	124,576
current liabilities	31,585	44,039	37,342	44,119	41,615	41,499	50,546	38,961	38,892	40,819	na	*	36,728	35,834
fixed liabilities	33,077	28,316	46,068	44,079	55,266	67,956	60,600	55,135	48,584	56,586	na	*	48,336	53,818
total liabilities	64,663	72,355	83,411	88,199	96,882	109,455	111,147	94,097	87,476	97,405	na	*	85,065	89,653
net assets	20,788	25,512	27,096	27,538	28,911	29,753	30,166	31,551	34,782	34,590	na	*	31,233	34,922
												*		
												*		
<b>yy change</b>														
net sales	7.3%	8.7%	5.1%	14.1%	8.9%	2.7%	0.6%	7.3%	9.1%	5.8%	6.5%	*	7.8%	3.1%
gross income	3.3%	8.2%	3.9%	15.9%	9.3%	-10.0%	10.4%	15.9%	11.5%	8.1%	na	*	-0.8%	5.6%
operating income	10.1%	4.6%	-18.8%	19.9%	19.1%	-24.6%	14.3%	30.5%	8.4%	14.9%	6.0%	*	-17.3%	2.2%
ordinary income	8.6%	9.4%	-21.5%	10.0%	8.2%	-33.2%	9.8%	39.1%	21.7%	21.4%	4.5%	*	-15.0%	11.4%
net income	9.6%	-14.2%	20.0%	13.6%	-22.2%	-41.2%	-16.1%	125.7%	34.9%	19.4%	4.5%	*	1.0%	31.4%
												*		
												*		
<b>margins</b>														
gross margins	18.8%	18.7%	18.5%	18.8%	18.8%	16.5%	18.1%	19.6%	20.0%	20.5%	na	*	18.3%	18.7%
operating margins	7.6%	7.3%	5.6%	5.9%	6.5%	4.8%	5.4%	6.6%	6.6%	7.1%	7.1%	*	4.4%	4.3%
ordinary margins	7.6%	7.6%	5.7%	5.5%	5.5%	3.6%	3.9%	5.0%	5.6%	6.5%	6.3%	*	3.3%	3.6%
net margins	4.0%	3.2%	3.6%	3.6%	2.6%	1.5%	1.2%	2.6%	3.2%	3.6%	3.6%	*	1.7%	2.2%
												*		
												*		
<b>other benchmarks</b>														
ROE	11.3%	7.9%	8.9%	9.9%	7.4%	4.2%	3.5%	7.7%	9.7%	11.0%	na	*	na	na
ROA	2.7%	2.1%	2.2%	2.4%	1.7%	0.9%	0.7%	1.9%	2.6%	2.9%	na	*	na	na
equity ratio	24.3%	26.0%	24.5%	23.8%	23.0%	21.4%	21.3%	25.1%	28.4%	26.2%	na	*	26.9%	28.0%
Units: million yen												*		



# First Quarter Fiscal Year March 2015 Consolidated Earnings Announcement

August 8, 2014

Company Name: Kyoritsu Maintenance Co., Ltd.

Tokyo Stock Exchange

Stock Code: 9616, URL: <http://www.kyoritsugroup.co.jp/>

Director: Mitsutaka Sato, President

Contact: Takumi Ueda, Vice President, Tel: +81-3-5295-7778

Quarterly Earnings Announcement Report Filing Date (Anticipated): August 11, 2014

Dividend Payment Date (Anticipated): --

Quarterly Earnings Presentation Document (Anticipated): Not Available

Quarterly Earnings Presentation Meeting (Anticipated): Not Available

(All figures of less than one million yen are rounded down to the nearest digit)

## 1. First Quarter of Fiscal Year March 2015 Consolidated Earnings (April 1, 2014 to June 30, 2014)

### (1) Consolidated Earnings (Aggregated)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1Q FY3/15	25,513	3.1	1,102	2.2	914	11.4	551	31.4
1Q FY3/14	24,742	7.8	1,079	-17.3	820	-15.0	420	1.0

(Note) Comprehensive income: ¥629 million (41.5% yy) in 1Q FY3/15, ¥445 million (-7.5% yy) in 1QFY3/14

	EPS		Fully Diluted EPS	
	Yen		Yen	
1Q FY3/15	42.33		33.93	
1Q FY3/14	30.74		—	

### (2) Consolidated Financial Position

	Total Assets		Net Assets		Equity Ratio		Book Value Per Share	
	Million Yen		Million Yen		%		Yen	
1Q FY3/15	124,576		34,922		28.0		2,678.69	
FY3/14	131,995		34,590		26.2		2,653.13	

(Note) Capital: ¥34,922 million in 1Q FY3/15, ¥34,590 million in FY3/14

## 2. Dividend Conditions

	Dividend Per Share				
	1Q End	2Q End	3Q End	4Q End	Total
	Yen				
FY3/14	—	21.00	—	27.00	48.00
FY3/15	—				
FY3/15 Projected		24.00	—	24.00	48.00

(Note) Recent changes in dividend projections: None

## 3. Fiscal Year March 2015 Consolidated Earnings Estimates (April 1, 2014 to March 31, 2015)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
First Half	54,900	6.3	4,250	3.0	3,900	3.8	2,300	5.0	176.41
Full Year	112,100	6.5	7,940	6.0	7,100	4.5	4,000	4.5	306.81

(Note) Recent changes in earnings estimates: None

Notes

- (1) Important changes in our subsidiaries, including changes to the scope of our consolidation: None
- (2) Application of special accounting procedures in the preparation of our quarterly consolidated financial statements: Applicable
- (3) Changes in the accounting policies, procedures, and changes or revisions in the display of accounting estimates:
  - ① Changes accompanying revisions in accounting standards: Applicable
  - ② Other changes: None
  - ③ Changes in accounting estimates: None
  - ④ Redisplay of revisions: None

(4) Shares Issued (Common Stocks)

① Shares issued as of term end (including treasury shares)	1Q FY3/15	15,125,582	FY3/14	15,125,582
② Treasury Stock as of term end	1Q FY3/15	2,088,288	FY3/14	2,088,126
③ Average during the term	1Q FY3/15	13,037,386	1QFY3/14	13,662,960

➤ Information Regarding Quarterly Review Practices:

The practices for review of quarterly consolidated earnings statements pursuant to the “Financial Instruments and Exchange Act” of Japan have not been conducted for the disclosure of this document.

➤ Notes and explanations regarding the appropriate uses of our earnings projections:

All projections provided within this document are based on the most accurate information available at the time of this writing. However our actual results may differ from our projections due to various unforeseen reasons.

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## 1. Qualitative Information about Quarterly Earnings

### (1) Explanation of Business Performance

During the first quarter of the fiscal year March 2015, the Japanese economy continued to recover on the back of effective Government monetary and fiscal policies, and despite the negative impact of the drop in consumer demand in the aftermath of the hike in the consumption tax.

Against this backdrop, our main dormitory business saw a good start to the year with occupancy rates rising by 0.2% points to a high level of 97.2% at the start of the term. In addition, the high growth hotel business also saw continued strong demand in both its Dormy Inn (Business hotels) and resort hotel divisions.

As a result of these conditions, sales, and operating, ordinary and net incomes rose by 3.1%, 2.2%, 11.4% and 31.4% year-over-year to ¥25.513, ¥1.102, ¥0.914 and ¥0.551 billion respectively.

We provide details of our earnings by business segment as follows.

#### Dormitory Business

Our dormitory business got off to a good start with occupancy rates rising by 0.2% point year-over-year to a high level of 97.2%, and the total number of contracted residents as of the end of June rose by 654 year-over-year to 31,786. In addition, continued strong demand for student dormitories combined with increased hiring of staff and a recovery in the popularity of dormitories for newly hired employees allowed demand for corporate dormitories to trends favorably.

Sales rose by 2.6% year-over-year to ¥10.776 billion as a result of these trends, and operating income grew by 9.8% year-over-year to ¥1.282 billion on the back of strict cost of sales management on a facility by facility basis.

#### Hotel Business

With regards to Dormy Inn business hotels, the “Natural Hot Spring Satsuki no Yu Dormy Inn EXPRESS Kakegawa” and “Natural Hot Spring Yugiri no Yu Dormy Inn PREMIUM Namba” facilities newly opened in the previous term trended strongly. Also, existing facilities benefitted from strong usage by foreign customers and occupancy rates trended strongly.

In the resort business, the “Inishie no Yado Ikyu” resort hotel facility newly opened in the previous term and existing facilities benefitted from highly detailed marketing measures and saw increases in their occupancy rates over the previous term.

Consequently, sales rose by 8.7% year-over-year to ¥10.560 billion. And while operating income declined by 7.5% year-over-year to ¥485 million due to refurbishment of some facilities designed to increase customer satisfaction, the investments for refurbishment were in line with expectations and operating income actually exceeded expectations.

#### Contracted Services Business

In our contracted services business, sales of condominiums owned in the previous term and the cancelation of tenant contracts resulting from the sale led to a decline in rental income. Consequently, sales declined by 12.9% year-over-year to ¥2.537 billion and an operating loss of ¥0.2 million was incurred (An ¥8 million reduction in losses from the previous first quarter).

#### Food Service Business

With regards to the food service business, Kyoritsu implemented strict cost controls in response to the severe operating environment caused by delays in recovery from the weak consumer demand in the wake of consumption tax hike and high food materials pricing. As a result, sales rose by 2.2% year-over-year to ¥1.272 billion and an operating loss of ¥10 million was recorded (A ¥34 million improvement from the loss in the previous first quarter).

#### Construction Business

In our construction business, some construction projects were postponed due to a rapid rise in construction costs during the quarter. Consequently sales declined by 36.5% year-over-year to ¥811 million and an operating loss of ¥19 million was incurred (An ¥18 million worsening from the loss recorded in the previous first quarter).

#### Other Business

Our other business is comprised of the wellness life business (Management of senior citizen housing), the PKP business (Consigned services business provided to regional government bodies), single life support business and insurance agency

Kyoritsu Maintenance (9616), 1Q FY3/15 Earnings Announcement

business, comprehensive human resource service business, and financing services and administrative outsourcing services. The total sales of this business rose by 30.9% year-over-year to ¥2.194 billion, but an operating loss of ¥97 million was incurred (A ¥56 million yen worsening of the loss from the previous first quarter).

## **(2) Explanation of Financial Position**

### **(Assets)**

Total consolidated assets declined by ¥7.419 billion from the end of the previous fiscal year to ¥124.576 billion at the end of the current first quarter. One of the main factors influencing this decline was a drop in cash and equivalents.

### **(Liabilities)**

Liabilities declined by ¥7.752 billion from the end of the previous fiscal year to ¥89.653 billion at the end of the current first quarter, due in part to declines in long term debt and prepayments received.

### **(Net Assets)**

Net assets rose by ¥332 million from the end of the previous fiscal year to ¥34.922 billion at the end of the current first quarter. A rise in retained earnings was the main factor behind this increase.

Consequently, equity ratio rose by 1.8% points from the end of the last fiscal year to 28.0%.

## **(3) Consolidated Earnings Estimates and Forward-Looking Forecast Information**

Our first half and full year consolidated earnings estimates initially announced along with our “fiscal year March 2014 earnings announcement” on May 15, 2014 remain unchanged.

## **2. Summary Information (Notes)**

### **(1) Changes in Important Consolidated Subsidiaries during the Quarter**

Not applicable

### **(2) Implementation of Special Accounting Methods in the Creation of Quarterly Consolidated Financial Statements**

#### **(Calculation of tax expense)**

With regards to taxes, a rational estimate of the effective tax rate has been used to calculate the tax effect accounting for net income before taxes during the first quarter, and this rate has been applied to net income before taxes. However, in the event that the estimate for the effective tax rate appears to lack logical rationale, then the effective statutory tax rate will be employed.

### **(3) Revision in Accounting Methods, Revisions and Redisplay of Accounting Estimates**

#### **Changes in Accounting Policies**

#### **(Application of Accounting Standards with Regards to Retirement Benefit)**

Concerning the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012), the Company has applied the text in Paragraph 35 of the Accounting Standard for Retirement Benefits and the text in Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter of the fiscal year under review, revising its method of calculating retirement benefit obligations and prior service costs. The method of attributing expected benefit has been changed from a straight-line basis to a benefit formula basis. Also, the method of determining the discount rate has been changed from one of using as the basis for calculation discount rates for periods similar to employees' average remaining service period to a method employing a single weighted average discount rate reflecting expected retirement benefit periods and payment amounts corresponding to each period.

Regarding the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment stipulated in paragraph 37, from the beginning of the first quarter of the fiscal year under review the amount of change resulting from the method of calculating retirement benefit obligations and prior service costs is added to or deducted from retained earnings.

As a result, liabilities related to retirement benefits declined ¥86 million at the beginning of the first quarter of the fiscal year under review, and retained earnings increased ¥55 million. Furthermore, operating income, ordinary income, and income before income taxes each increased ¥3 million.

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Units: Million Yen)

	FY3/14 (March 31, 2014)	1Q FY3/15 (June 30, 2014)
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	24,707	17,150
Notes, accounts receivable	4,986	4,377
Real estate for sale	257	240
Uncompleted real estate for sale	372	927
Uncompleted construction payment	314	209
Others	6,862	6,529
Doubtful account reserves	-26	-23
<b>Total current assets</b>	<b>37,473</b>	<b>29,411</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings, structures	29,843	32,177
Land	24,891	24,519
Others (Net)	6,270	4,554
<b>Total tangible fixed assets</b>	<b>61,005</b>	<b>61,251</b>
<b>Intangible fixed assets</b>	<b>1,890</b>	<b>1,895</b>
<b>Investments, other assets</b>		
Investment securities	5,888	5,693
Security deposits	11,481	11,608
Deposits	8,574	8,624
Others	5,789	6,199
Doubtful account reserves	-195	-194
<b>Total investments, other assets</b>	<b>31,538</b>	<b>31,932</b>
<b>Total fixed assets</b>	<b>94,434</b>	<b>95,080</b>
Deferred assets	87	84
<b>Total assets</b>	<b>131,995</b>	<b>124,576</b>

	(Units: Million Yen)	
	FY3/14	1Q FY3/15
	(March 31, 2014)	(June 30, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes, accounts payables	3,908	2,887
Short term debt	15,328	15,406
Bond, portion redeemable within 1 year	1,150	1,150
Unpaid corporate taxes	1,940	309
Prepayments	11,091	9,160
Bonus reserves	1,148	339
Director bonus reserves	294	82
Completed construction guarantee reserves	11	11
Others	5,945	6,487
Total current liabilities	40,819	35,834
Fixed liabilities		
Bonds	6,300	5,975
Convertible bonds with stock options	15,000	15,000
Long term debt	29,772	27,352
Director retirement benefit reserves	311	305
Point reserves	16	20
Retirement benefit reserve related liabilities	1,178	1,111
Others	4,006	4,053
Total fixed liabilities	56,586	53,818
Total liabilities	97,405	89,653
<b>Net assets</b>		
Shareholders' equity		
Capital	5,136	5,136
Capital reserves	5,943	5,943
Retained earnings	28,892	29,147
Treasury stock	-5,471	-5,472
Total shareholders' equity	34,500	34,755
Other comprehensive income, aggregated		
Other marketable securities valuation gains	-29	37
Foreign exchange translation provisions	99	114
Retirement reserve related	20	15
Total other comprehensive income, aggregated	89	167
Total net assets	34,590	34,922
Total liabilities, net assets	131,995	124,576

(2) Quarterly Consolidated Income Statement and Comprehensive Income Statement  
 (Quarterly Consolidated Income Statement)  
 (Consolidated First Quarter)

	(Units: Million Yen)	
	1Q FY3/14 (From April 1, 2013 To June 30, 2013)	1Q FY3/15 (From April 1, 2014 To June 30, 2014)
Net Sales	24,742	25,513
CGS	20,218	20,737
Gross income	4,523	4,775
SG&A	3,444	3,673
Operating income	1,079	1,102
Non-operating income		
Interest income	23	18
Dividend income	20	21
Foreign exchange translation gain	25	69
Others	26	42
Total non-operating income	96	152
Non-operating expense		
Interest payment	273	228
Others	80	112
Total non-operating expense	354	340
Ordinary Income	820	914
Extraordinary loss		
Fixed asset liquidation loss	—	17
Dismantlement costs	13	—
Total extraordinary loss	13	17
Net income before taxes	807	897
Taxes	387	345
Net income before minority interests	420	551
Net income	420	551

Quarterly Consolidated Comprehensive Income Statements  
 Consolidated Aggregated First Quarter

(Units: Million Yen)

	1Q FY3/14 (From April 1, 2013 To June 30, 2013)	1Q FY3/15 (From April 1, 2014 To June 30, 2014)
Net income before minority interests	420	551
Other comprehensive income		
Other marketable securities valuation gains	15	67
Foreign exchange translation provisional account	9	15
Remeasurements of retirement benefits	—	-4
Total other comprehensive income	25	77
Quarterly comprehensive income	445	629
(Details)		
Comprehensive income of parent company	445	629
Comprehensive income of minority shareholdings	—	—

## (3) Quarterly Consolidated Financial Statement Notes

(Notes Regarding Going Concern Assumptions)

Not applicable

(Significant Changes in Shareholders' Equity Notes)

Not applicable

(Segment Information)

Disclosure of segment information

## I. First Quarter of Fiscal Year March 2014 (From April 1 to June 30, 2013)

## 1. Information pertaining to segment sales, operating income and losses

(Units: Million Yen)

	Reported Segments						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	10,463	9,695	1,649	414	945	23,168	1,573	24,742	—	24,742
Internal sales and transfers	39	22	1,264	831	332	2,491	102	2,594	-2,594	—
Total	10,503	9,717	2,914	1,246	1,277	25,660	1,676	27,336	-2,594	24,742
Operating income	1,168	524	-10	-45	-1	1,634	-41	1,592	-513	1,079

(Note) 1. Others is not considered as a reported business segment and is comprised of the wellness life (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 and advertising agency services.

2. Adjustment for segment profit and loss of -¥513 million includes ¥4 million for inter-segment transaction eliminations, and -¥517 million in companywide expenses which cannot be allocated to specific reported segments. Companywide expenses are primarily those expenses arising from the finance and accounting, and management divisions.

3. Segment profits or losses are derived by adjusting the operating income used in the quarterly consolidated income statements.

## 2. Impairment accounting losses and goodwill amortization of fixed assets by reported segments

None

## II. First Quarter of Fiscal Year March 2015 (From April 1 to June 30, 2014)

## 1. Information pertaining to segment sales, operating income and losses

(Units: Million Yen)

	Reported Segments						Others (Note 1)	Total	Adjustments (Note2)	Consolidated (Note3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	10,717	10,536	1,390	376	405	23,427	2,086	25,513	—	25,513
Internal sales and transfers	59	23	1,147	896	405	2,531	108	2,639	-2,639	—
Total	10,776	10,560	2,537	1,272	811	25,959	2,194	28,153	-2,639	25,513
Operating income	1,282	485	-2	-10	-19	1,734	-97	1,636	-534	1,102

(Note) 1. Other is not considered as a reported business segment and is comprised of the wellness life (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 services and other related services

2. Adjustment for segment profit, loss of ¥534 million includes ¥10 million for inter-segment transaction eliminations, and ¥523 million in companywide expenses which cannot be allocated to specific reported segments. Companywide expenses are primarily those expenses arising from the finance and accounting, and management divisions.

3. Segment profits, losses are derived by adjusting the operating income used in the quarterly consolidated income statements.

## 2. Impairment accounting losses and goodwill amortization of fixed assets by reported segments

None