



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

**Third Quarter of Fiscal Year Ending March 2016
Consolidated Earnings Results Update**

February 2016



Third Quarter of Fiscal Year Ending March 2016 Consolidated Earnings Announcement

February 9, 2016
Tokyo Stock Exchange

Company Name: Kyoritsu Maintenance Co., Ltd.
Stock Code: 9616, URL: <http://www.kyoritsugroup.co.jp/>
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Quarterly Earnings Presentation Document (Anticipated): None
Quarterly Earnings Presentation Meeting (Anticipated): None

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

1. Third Quarter of Fiscal Year Ending March 2016 Consolidated Earnings (April 1, 2015 to December 31, 2015)

(1) Consolidated Earnings (Aggregated)

(% figures show year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q FY3/16	99,702	23.7	8,586	31.8	8,073	29.8	5,256	31.4
3Q FY3/15	80,595	5.1	6,513	17.7	6,220	22.4	3,999	35.3

(Note) Comprehensive income: ¥4,973 million (4.3% YoY) in 3Q FY3/16; ¥4,768 million (42.8% YoY) in 3Q FY3/15

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
	Yen	Yen
3Q FY3/16	278.60	269.45
3Q FY3/15	255.63	204.87

(Note) The Company carried out a stock split on April 1, 2015 at a ratio of 1.2 shares per one common share. Accordingly, profit attributable to owners of parent per share and profit attributable to owners of parent per share (diluted) have been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value Per Share
	Millions of yen	Millions of yen	%	Yen
3Q FY3/16	144,941	57,448	39.6	2,973.64
FY3/15	139,750	46,913	33.6	2,658.90

(Note) Capital: ¥57,448 million in 3Q FY3/16; ¥46,913 million in FY3/15

(Note) The Company carried out a stock split on April 1, 2015 at a ratio of 1.2 shares per one common share. Accordingly, book value per share has been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

2. Dividend Conditions

	Dividend Per Share				
	1Q-End	2Q-End	3Q-End	4Q-End	Total
	Yen	Yen	Yen	Yen	Yen
FY3/15	—	24.00	—	26.00	50.00
FY3/16	—	25.00	—		
FY3/16 (Projected)				25.00	50.00

(Note) Recent changes in dividend projections: None

(Note) The Company carried out a stock split on April 1, 2015 at a ratio of 1.2 shares per one common share. The actual dividend amount prior to the stock split is noted here for the fiscal year ended in March 2015.

3. Fiscal Year Ending March 2016 Consolidated Earnings Estimates (April 1, 2015 to March 31, 2016)

(% figures show year-on-year change for the full year)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Yen
Full Year	131,600	19.4	10,160	23.6	9,430	23.1	5,420	23.5	280.55

(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
(Note) Please refer to “2. Summary Information (Notes), (2) Application of special accounting procedures in the preparation of our quarterly consolidated financial statements” on page 7 for further details.
- (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
- (Note) Please refer to “2. Summary Information (Notes), (3) Changes in the accounting policies, procedures, and changes or revisions in the display of accounting estimates” on page 7 for further details.

(4) Shares issued (common stocks)

1. Shares issued as of term-end (including treasury shares)
2. Treasury stock as of term-end
3. Average during the term (first nine months)

3Q FY3/16	19,427,374	FY3/15	18,150,698
3Q FY3/16	107,971	FY3/15	506,662
3Q FY3/16	18,866,190	3Q FY3/15	15,644,414

(Note) The Company carried out a stock split on April 1, 2015 at a ratio of 1.2 shares per one common share. Accordingly, shares issued (common stocks) have been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

* 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 use of our earnings projections:

(Notes on forecast results)

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.

Concerning qualitative information regarding our quarterly earnings, please refer to the segment of this document “1. Qualitative Information about Quarterly Earnings, (3) Explanation of future forecasts including consolidated earnings estimates.”

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1. Qualitative Information about Quarterly Earnings

(1) Explanation of business performance

During the first nine months of the fiscal year ending March 2016, the Japanese economy underwent improvements in the corporate earnings and employment environment underpinned by ongoing fiscal and monetary policy. However, prevailing uncertainties were also present, as private consumption was weak in Japan, combined with the risk of downturn in China and other emerging countries and foreign exchange rates.

Against this backdrop, our dormitory business got off to a solid start with occupancy rates rising by 0.1 percentage point year on year to 97.3% at the start of the fiscal year, partially due to growing needs with respect to company dormitories. In the hotel business segment, both the Dormy Inn business hotels and the resort hotel sub-segments maintained high occupancy rates and high guest room unit prices brought about by continuing tailwinds provided by Japanese domestic travelers and growing demand for inbound tourism.

As a result, during the third quarter of the current fiscal year, both revenues and earnings increased significantly, with sales up 23.7% year on year to ¥99,702 million, operating income up 31.8% to ¥8,586 million, ordinary income up 29.8% to ¥8,073 million, and profit attributable to owners of parent up 31.4% to ¥5,256 million.

Details of our earnings are provided by business segment as follows.

Dormitory business

Our dormitory business started the fiscal year with the occupancy rate gaining 0.1 percentage point year on year to 97.3%, and as of the end of December, the total number of contracted residents had risen by 1,710 year on year to 31,652 residents. In addition, student dormitories trended favorably during the third quarter of the current fiscal year partially due to increasing numbers of students from overseas, while corporate dormitories achieved substantial gains in numbers of contracts due to factors that included companies hiring greater numbers of employees and more companies now opting to offer employee dormitories.

In addition, the implementation of stringent cost controls on a facility-by-facility basis also contributed to a growth in profits.

Consequently, sales and operating income rose by 4.4% and 9.0% year on year to ¥32,226 million and ¥4,237 million, respectively.

Hotel business

With respect to our Dormy Inn business hotels, this fiscal year we have opened three establishments — the “Natural Springs Kinko no Yu Dormy Inn PREMIUM Nagoya Sakae,” and the “Kachi no Yu Dormy Inn Ueno Okachimachi” and “Kousho no Yu Dormy Inn Higashimuroran” facilities.

Moreover, our existing facilities generated substantial income gains due to occupancy rates exceeding the levels at the same period in the previous fiscal year and high guest room unit prices, underpinned by increasing inbound tourism mainly from South Korea and Taiwan, along with strong demand from domestic Japanese travelers as well. Overseas, “DormyInn PREMIUM SEOUL Garosugil” was selected as No. 1 in the new hotel division of the South Korean version of the “Booking.com” accommodation reservation site, reflecting its strong reputation in the South Korean market.

In the resort hotel sub-segment, Kyoritsu opened the three facilities “Akangawa Onsen Kamui no Yu La Vista Akangawa,” “La vista Fuji Kawaguchiko,” and “Hakone Onsen Tsukino Yado Sara” during the period. Meanwhile, with the lowering of the heightened volcanic alert level for Mount Hakone in November, occupancy at facilities in the Hakone region in December rivaled those of the same period during the previous fiscal year. While there was a mixture of strong and weak results depending on geographic area, occupancy and guest room unit prices overall remained high and above previous year figures. We also implemented cost controls geared toward changes in rates of occupancy, such as by ensuring flexibility in making staff assignments in line with facility utilization.

Consequently, sales and operating income rose by 12.9% and 22.0% year on year to ¥40,359 million and ¥5,700 million, respectively.

Contracted services business

In the contracted services business, we generated increases in both sales and income due to rental properties acquired in the previous fiscal term along with more business taken on by the building management sector.

Consequently, sales and operating income rose by 21.0% and 118.1% year on year to ¥10,167 million and ¥255 million, respectively.

Food service business

The food service business generated higher sales thanks to new store openings, but lower operating income due to an adverse impact from expenses for new store openings and other such costs.

Consequently, sales rose by 5.6% year on year to ¥4,218 million, and operating income fell by 20.0% year on year to ¥16 million.

Construction business

Despite development costs remaining at high levels, the construction business generated increases in sales and income as a result of bringing in greater numbers of orders for hotel development.

Consequently, sales and operating income rose by 114.1% and 309.0% year on year to ¥9,926 million and ¥370 million, respectively.

Other business

Our other business segments are the Senior Life (former Wellness Life) business (management of senior citizen housing), the Public Kyoritsu Partnership business (PKP: consigned services business provided to regional government bodies), single life support business and insurance agency business, comprehensive human resource services business, and financing and administrative outsourcing services.

The other business segments posted total net sales of ¥8,775 million, an increase of 32.2% year on year, but still incurred an operating loss of ¥98 million, in comparison with an operating loss of ¥466 million in the same period of the previous fiscal year.

The substantial year-on-year increases were largely attributable to higher profitability associated with expansion of the PKP business and operational streamlining.

(2) Explanation of financial position

(Assets)

Total consolidated assets grew by ¥5,190 million from the end of the previous fiscal year to ¥144,941 million at the end of the third quarter. One of the main factors behind this increase was a rise in land.

(Liabilities)

Total consolidated liabilities declined by ¥5,344 million from the end of the previous fiscal year to ¥87,492 million at the end of the third quarter, due primarily to a decrease in convertible bond-type bonds with subscription rights to shares.

(Net assets)

Net assets grew by ¥10,535 million from the end of the previous fiscal year to ¥57,448 million at the end of the third quarter, due mainly to increases in capital stock, capital surplus, and retained earnings.

Consequently, equity ratio rose by 6.0 points from the end of the previous fiscal year to 39.6% at the end of the third quarter.

(3) Explanation of future forecasts including consolidated earnings estimates

There is no change to the consolidated earnings forecasts for the full fiscal year from the forecasts announced on November 9, 2015.

2. Summary Information (Notes)

(1) Changes in important consolidated subsidiaries during the quarter

Not applicable

(2) Application of special accounting procedures in the preparation of our 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 third 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 legally determined effective tax rate will be employed.

(3) Changes in the accounting policies, procedures, and changes or revisions in the display of accounting estimates

Changes in accounting policies

(Application of accounting standards for business combinations)

Effective from the first quarter of the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21; September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7; September 13, 2013) and other accounting standards. As a result, the method of recording differences caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which such amounts are recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which such amounts are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the fiscal quarter in which the business combination occurs. In addition, changes have also been made in the presentation of quarterly net income, etc. The consolidated financial statements for the third quarter of the previous fiscal year and those for the entire previous fiscal year have been reclassified to reflect these changes in presentation.

The Accounting Standard for Business Combinations and other standards are applied in accordance with the transitional treatment set forth in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and will be applied from the beginning of the first quarter of the current fiscal year and on into the future.

This will not have an effect on the Company’s profits and losses.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Unit: Millions of yen)

	FY3/15 (March 31, 2015)	3Q FY3/16 (December 31, 2015)
Assets		
Current assets		
Cash and deposits	16,115	13,701
Notes and accounts receivable-trade	6,841	6,265
Real estate for sale	1,007	1,088
Real estate for sale in process	706	3,272
Costs on uncompleted construction contracts	514	169
Other	6,295	5,891
Allowance for loan losses	(24)	(23)
Total current assets	31,457	30,365
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,999	36,378
Land	28,704	33,869
Other, net	10,561	7,390
Total property, plant and equipment	72,265	77,638
Intangible assets	1,818	1,782
Investments and other assets		
Investment securities	6,142	5,147
Guarantee deposits	11,874	12,112
Lease deposits	9,240	9,820
Other	7,038	8,163
Allowance for doubtful accounts	(189)	(179)
Total investments and other assets	34,105	35,064
Total non-current assets	108,190	114,484
Deferred assets	103	90
Total assets	139,750	144,941

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	(Unit: Millions of yen)	
	FY3/15 (March 31, 2015)	3Q FY3/16 (December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	5,238	4,352
Short-term loans payable	15,760	33,510
Current portion of bonds	1,350	1,350
Income taxes payable	1,648	1,697
Advances received	12,031	8,281
Provision for bonuses	1,270	950
Provision for directors' bonuses	327	299
Provision for warranties for completed construction	8	9
Provision for point card certificates	9	18
Other	9,946	6,212
Total current liabilities	47,590	56,683
Non-current liabilities		
Bonds payable	6,950	5,950
Convertible bond-type bonds with subscription rights to shares	7,253	704
Long-term loans payable	25,512	18,546
Director retirement benefit reserve	307	287
Provision for point card certificates	24	20
Net defined benefit liability	1,042	1,080
Other	4,155	4,220
Total non-current liabilities	45,246	30,809
Total liabilities	92,836	87,492
Net assets		
Shareholders' equity		
Capital stock	5,136	7,606
Capital surplus	9,313	12,461
Retained earnings	32,670	37,060
Treasury shares	(1,109)	(299)
Total shareholders' equity	46,011	56,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	747	783
Foreign currency translation adjustment	120	(181)
Remeasurements of defined benefit plans	34	17
Total accumulated other comprehensive income	902	619
Total net assets	46,913	57,448
Total liabilities and net assets	139,750	144,941

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(2) Quarterly consolidated income statement and comprehensive income statement

(Quarterly consolidated income statement)

(Consolidated third quarter)

	(Unit: Millions of yen)	
	3Q FY3/15 (April 1, 2014 to December 31, 2014)	3Q FY3/16 (April 1, 2015 to December 31, 2015)
Net sales	80,595	99,702
Cost of sales	63,203	78,860
Gross profit	17,391	20,842
Selling, general and administrative expenses	10,878	12,255
Operating income	6,513	8,586
Non-operating income		
Interest income	88	98
Dividend income	40	42
Deposit redemption income	72	66
Other	430	95
Total non-operating income	632	301
Non-operating expenses		
Interest payment	662	602
Other	262	212
Total non-operating expenses	925	815
Ordinary income	6,220	8,073
Extraordinary income		
Compensation income	93	—
Gain on cancellation of leasehold contracts	—	432
Total extraordinary income	93	432
Extraordinary losses		
Loss on sales of non-current assets	17	—
Settlement funds	—	175
Other	—	26
Total extraordinary losses	17	201
Income before income taxes	6,296	8,303
Income taxes	2,297	3,047
Profit	3,999	5,256
Profit attributable to owners of parent	3,999	5,256

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Quarterly consolidated comprehensive income statement

Consolidated third quarter

	(Unit: Millions of yen)	
	3Q FY3/15 (April 1, 2014 to December 31, 2014)	3Q FY3/16 (April 1, 2015 to December 31, 2015)
Profit	3,999	5,256
Other comprehensive income		
Valuation difference on available-for-sale securities	698	36
Foreign currency translation adjustment	84	(302)
Remeasurements of defined benefit plans	(13)	(17)
Total other comprehensive income	769	(283)
Comprehensive income	4,768	4,973
(Details)		
Comprehensive income attributable to owners of parent	4,768	4,973

(3) Quarterly consolidated financial statement notes

(Notes regarding going concern assumptions)

Not applicable

(Significant changes in shareholders' equity notes)

During the third quarter under review, capital and capital reserves increased by ¥2,470 million and ¥3,147 million, respectively, and treasury stock decreased by ¥930 million as a result of having exercised stock options of convertible bonds with stock options. Consequently, capital was ¥7,606 million, capital reserves were ¥12,461 million, and treasury stock was ¥299 million as of the end of the third quarter.

(Segment information)

Segment information

I. Third quarter of fiscal year ended March 2015 (From April 1 to December 31, 2014)

1. Information pertaining to segment sales, profits and losses

(Unit: Millions of yen)

	Reporting segments						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	30,711	35,657	4,713	1,111	2,056	74,251	6,343	80,595	—	80,595
Inter-segment sales and transfers	170	79	3,688	2,881	2,579	9,398	296	9,695	(9,695)	—
Total	30,881	35,736	8,402	3,993	4,636	83,649	6,640	90,290	(9,695)	80,595
Segment profit/loss	3,885	4,672	117	21	90	8,787	(466)	8,320	(1,807)	6,513

(Notes)

1. Others is not considered as a reporting business segment and comprises the Wellness Life (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support business and insurance agency business, comprehensive human resource services business, financing services, administrative outsourcing services and other related services.
2. Adjustment for segment profit and loss of ¥1,807 million includes ¥142 million for inter-segment transaction eliminations, and ¥1,664 million in companywide expenses that 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 statement.

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

None

II. Third quarter of fiscal year ending March 2016 (From April 1 to December 31, 2015)

1. Information pertaining to segment sales, profits and losses

(Unit: Millions of yen)

	Reporting segments						Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	32,054	40,281	5,537	1,242	12,130	91,247	8,455	99,702	—	99,702
Inter-segment sales and transfers	171	77	4,629	2,975	(2,204)	5,650	320	5,970	(5,970)	—
Total	32,226	40,359	10,167	4,218	9,926	96,897	8,775	105,673	(5,970)	99,702
Segment profit/loss	4,237	5,700	255	16	370	10,580	(98)	10,482	(1,896)	8,586

- (Notes)
1. Others is not considered as a reporting business segment and comprises the Senior Life (former Wellness Life) business (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support business and insurance agency business, comprehensive human resource services business, financing services, administrative outsourcing services and other related services.
 2. Adjustment for segment profit and loss of ¥1,896 million includes ¥152 million for inter-segment transaction eliminations, and ¥1,743 million in companywide expenses that 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 reporting segments

None