



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

**Summary of Consolidated Financial Results for the
Third Quarter Ended December 31, 2019**

[JGAAP]

February 2020



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February 7, 2020

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): February 12, 2020
 Scheduled date of dividend payment commencement (Projected): —
 Supplementary materials for the third quarter financial statements: Yes
 Presentation to explain for the third quarter financial statements: None

(Million JPY, rounded down to the nearest million)

1. Consolidated financial results for the third quarter of the fiscal year Ended December 2019 (April 1, 2019 to December 31, 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 Q3	133,097	7.4	12,222	1.5	12,149	3.3	8,184	2.6
FY3/19 Q3	123,886	13.9	12,044	17.9	11,756	17.7	7,973	19.7

(Note) Comprehensive income: ¥8,051 million (+3.5% YoY) in FY3/20 Q3; ¥7,780 million (+9.2% YoY) in FY3/19 Q3

	EPS	Fully Diluted EPS
	Yen	Yen
FY3/20 Q3	209.91	—
FY3/19 Q3	204.52	188.48

Note: Fully diluted EPS in FY3/20 Q3 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 December 31, 2019	211,615	85,786	40.5	2,200.21
As of March 31, 2019	202,531	79,570	39.3	2,040.75

(Reference) Own capital: ¥85,786 million as of December 31, 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	—	22.00	—	—	—
FY3/20 (Projected)	—	—	—	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 (Q3 year to date)

December 31, 2019	39,218,330	March 31, 2019	39,218,330
December 31, 2019	228,314	March 31, 2019	227,634
FY3/20 Q3	38,990,401	FY3/19 Q3	38,985,028

* 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 nine month period ended December 31, 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 nine month period ended December 31, 2019

(1) Business Performance

In the first three quarters of the consolidated fiscal year, our business environment was favorable due to an increase in foreign students attending Japanese universities and colleges, a rise in the percentage of students going on to college, growth in the number of companies introducing a dormitory system for employees, ongoing growth in inbound tourism, and stronger demand for domestic travel, particularly during the ten-day Golden Week holiday in May. However, there were still areas of concern, including labor shortages and geopolitical problems such as deteriorating relations between Japan and South Korea. In addition, we were also affected by unexpected natural disasters such as torrential rainfalls and a large typhoon that surpassed typical levels. 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 three quarters increased by 7.4% year on year to ¥133,097 million, mainly driven by the opening of new facilities and the ten-day Golden Week holiday. The resort business continued to struggle due to the massive impact of the typhoon in October, but the dormitory business was solid and the Dormy Inn business was a strong performer, overcoming the impact of inbound tourism to achieve growth. In addition, the company generated profits from the sales and lease back of real estate, as in the previous fiscal year. These offset expenses related to preparations to open new facilities, primarily in the resort business, as well as the huge renewal expenses for further improvement of customer satisfaction. Consequently, operating profit increased by 1.5% year on year to ¥12,222 million, ordinary profit increased by 3.3% to ¥12,149 million and profit attributable to owners of the company increased by 2.6% to ¥8,184 million. The Company continued to record revenue and income gains and reached the record-high profits for the eighth fiscal period in a row.

We provide the details of financial performance in the first three quarters 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, including the Meiji University Global Village, a dormitory for international student exchange that was opened in April. In addition, a dormitory with 54 rooms was opened in November. The dormitory business for students achieved solid growth partially driven by an increase in foreign students attending Japanese universities and colleges, and the dormitory business for employees also saw an increase in companies introducing a dormitory system, 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 by 1.0 pp year on year to 98.7%, getting the year off to a good start, and remained solid thereafter.

As a result, revenue increased by 3.6% year on year to ¥37,045 million and operating profit increased by 5.7% to ¥5,466 million, fully offsetting the expenses for the preparations to open new dormitories and large-scale renovation expenses for existing facilities.

Hotel Business

With respect to the Dormy Inn business, we have opened a total of four hotels—the “Natural Hot Spring Myogi no Yu Dormy Inn Maebashi,” “Natural Hot Spring Habutae no Yu Dormy Inn Fukui,” “Natural Hot Spring Sansa no Yu Dormy Inn Morioka,” and “Natural Hot Spring Ryoun no Yu Onyado Nono Asakusa” —in the first three quarters. The number of travelers from South Korea decreased due to the deterioration of relations between Japan and South Korea. However, this negative impact was fully offset by family travel from China and Hong Kong and growth in the number of travelers from Europe and the US, coupled with an increase in the number of domestic travelers. RevPar (the average room price multiplied by the occupancy rate for each room), one of the key performance indicators, undercut levels in the same period of the previous fiscal year in the Osaka region, where other companies have been building hotels, thus changing the supply/demand balance. This was a major impediment to boosting RevPar. However, our nationwide expansion enabled us to cover this, and our characteristic service and unique features gave our hotels a strong popularity among domestic guests. As a result, RevPar exceeded levels in the same period of the previous year for existing Dormy Inn nationwide, and these factors boosted revenue and operating profit.

In the resort business, we opened “Echigo Yuzawa hot spring Yukemuri no Yado Yuki no Hana,” “Kotohira hot spring Oyado Shikishimakan” and “Akinomiya Onsenkyo Yu Kemuri no Yado Inazumi Onsen” in the first three quarters. The effect of the typhoon in October still lingered in some regions, and although conditions gradually improved, it did not cover the cost of preparations to open new hotels. As a result, in the hotel business overall, revenue increased by 6.1% year on year to ¥63,171 million, and operating profit decreased by 1.3% to ¥7,400 million.

Comprehensive Building Management business

In the comprehensive building management business, revenue increased 11.8% year on year to ¥12,188 million and operating profit increased 1,717.3% to ¥344 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 6.4% year on year to ¥5,584 million and operating profit increased 45.9% to ¥123 million mainly due to growth in the number of contracted hotel restaurants managed.

Development Business

In the development business, revenue increased by 13.5% year on year to ¥15,899 million, due in part to progress with development and the sales and lease back of real estate. However, operating profit decreased by 31.1 % to ¥1,104 million due to the reduction of development profit from 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 8.5% year on year to ¥10,082 million and operating profit totaled ¥364 million, in comparison with an operating loss of ¥57 million in the same period of the previous fiscal year, mainly driven by steady growth of the Senior Life business and the PKP business.

(2) Consolidated Financial Position

(Assets)

Total assets as of December 31, 2019 were ¥211,615 million, reflecting an increase of ¥9,084 million compared to the end of the previous fiscal year, mainly due to an increase in notes and accounts receivable–trade and buildings and structures.

(Liabilities)

Total liabilities as of December 31, 2019 were ¥125,829 million, reflecting an increase of ¥2,868 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 December 31, 2019 were ¥85,786 million, reflecting an increase of ¥6,215 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 third quarter increased by 1.2 pp from the end of the previous fiscal year to 40.5%.

(3) Outlook for FY3/20

The Company does not change the FY3/20 consolidated financial forecasts announced on May 15, 2019. This decision was made because, although we continue to recover from typhoons and other natural disasters, and we expect major improvements in consolidated earnings due to the sale and lease back of real estate, at this point it is difficult to predict the impact that the novel coronavirus will have on the hotel business.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Unit: Millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 Q3 (December 31, 2019)
Assets		
Current assets		
Cash and deposits	16,643	15,005
Notes and accounts receivable-trade	9,273	14,733
Real estate for sale	288	398
Real estate for sale in process	6,815	9,077
Costs on uncompleted construction contracts	297	580
Others excluding allowance for loan losses	7,763	8,971
Allowance for loan losses	(25)	△48
Total current assets	41,056	48,717
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,411	49,716
Land	44,598	42,165
Construction in progress	17,615	12,648
Others, net	3,365	3,594
Total property, plant and equipment	108,991	108,125
Intangible assets	3,236	3,704
Investments and other assets		
Investment securities	5,126	4,990
Guarantee deposits	16,462	16,674
Lease deposits	14,981	15,290
Others excluding allowance for doubtful accounts	12,201	13,697
Allowance for doubtful accounts	(202)	△198
Total investments and other assets	48,569	50,455
Total non-current assets	160,796	162,285
Deferred assets	678	612
Total assets	202,531	211,615

Kyoritsu Maintenance (9616),
Consolidated Financial Statements for the 9 month period ended December 31, 2019

(Unit: Millions of yen)

	FY3/19 (March 31, 2019)	FY3/20 Q3 (December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	6,788	10,885
Short-term loans payable	10,420	20,934
Current portion of bonds	5,730	5,280
Income taxes payable	2,985	1,796
Provision for bonuses	2,359	1,256
Provision for directors' bonuses	495	293
Provision for warranties for completed construction	9	9
Provision for point card certificates	3	6
Others	21,247	16,862
Total current liabilities	50,040	57,323
Non-current liabilities		
Bonds payable	39,100	35,960
Convertible bond-type bonds with subscription rights to shares	19,995	19,995
Long-term loans payable	7,707	6,315
Director retirement benefit reserve	271	251
Provision for point card certificates	6	0
Net defined benefit liability	1,083	1,146
Others	4,757	4,837
Total non-current liabilities	72,921	68,505
Total liabilities	122,961	125,829
Net assets		
Shareholders' equity		
Capital stock	7,960	7,960
Capital surplus	12,816	12,816
Retained earnings	59,186	65,538
Treasury shares	(349)	△353
Total shareholders' equity	79,613	85,962
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	367	320
Foreign currency translation adjustment	(422)	△503
Remeasurements of defined benefit plans	11	6
Total accumulated other comprehensive income	(43)	△176
Total net assets	79,570	85,786
Total liabilities and net assets	202,531	211,615

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(2) Quarterly consolidated income statement and comprehensive income statement
(Quarterly consolidated income statement – Q3)

(Unit: Millions of yen)

	FY3/19 Q3 (April 1, 2018 to December 31, 2018)	FY3/20 Q3 (April 1, 2019 to December 31, 2019)
Revenue	123,886	133,097
Cost of goods sold	94,996	103,431
Gross profit	28,889	29,665
Selling, general and administrative expenses	16,845	17,443
Operating profit	12,044	12,222
Non-operating profit		
Interest income	53	56
Dividend income	64	85
Settlement money received	—	80
Others	132	184
Total non-operating profit	250	407
Non-operating expense		
Interest expenses	309	259
Others	228	220
Total non-operating expenses	537	480
Ordinary profit	11,756	12,149
Extraordinary profit		
Gain on sales of investment securities	18	217
Others	—	2
Total extraordinary profit	18	219
Extraordinary losses		
Loss due to disaster	21	23
Loss on sales of property, plant and equipment	3	—
Loss on valuation of golf club membership	—	5
Total extraordinary losses	25	28
Profit before income taxes	11,750	12,340
Income tax expenses	3,776	4,155
Net profit	7,973	8,184
Profit attributable to owners of the Company	7,973	8,184

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Consolidated Financial Statements for the 9 month period ended December 31, 2019

(Quarterly consolidated comprehensive income statements – Q3)

(Unit: Millions of yen)

	FY3/19 Q3 (April 1, 2018 to December 31, 2018)	FY3/20 Q3 (April 1, 2019 to December 31, 2019)
Net profit	7,973	8,184
Other comprehensive income		
Valuation difference on available-for-sale securities	△179	△46
Cumulative translation adjustment	△11	△81
Remeasurements of defined benefit plans	△2	△4
Total other comprehensive income	△193	△132
Comprehensive income	7,780	8,051
(Details)		
Comprehensive income attributable to owners of the Company	7,780	8,051

(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 nine month period ended December 31, 2019, after accounting for the tax effects, and multiplies profit before income tax expenses during the nine months ended December 31, 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.

(Segment information)

I. The nine month period ended December 31, 2018 (From April 1, 2018 to December 31, 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	35,499	59,422	5,492	1,014	13,542	114,971	8,914	123,886	—	123,886
Intersegment revenue and transfers	250	123	5,410	4,232	463	10,480	381	10,862	△10,862	—
Total	35,750	59,545	10,903	5,246	14,005	125,451	9,296	134,748	△10,862	123,886
Profit and loss	5,171	7,496	18	84	1,603	14,375	△57	14,317	△2,272	12,044

- (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 loss of ¥2,272 million includes profit of ¥57 million for inter-segment transaction eliminations and loss of ¥2,330 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. The nine month period ended December 31, 2019 (From April 1, 2019 to December 31, 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	36,800	63,059	5,507	1,066	17,002	123,434	9,662	133,097	—	133,097
Intersegment revenue and transfers	245	112	6,681	4,518	△1,102	10,454	420	10,874	△10,874	—
Total	37,045	63,171	12,188	5,584	15,899	133,889	10,082	143,972	△10,874	133,097
Profit and loss	5,466	7,400	344	123	1,104	14,439	364	14,804	△2,582	12,222

- (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 loss of ¥2,582 million includes loss of ¥211 million for inter-segment transaction eliminations and loss of ¥2,370 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