



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

Fiscal Year Ended March 2017
Consolidated Earnings Results Update

May 2017

Fiscal Year Ended March 2017 Consolidated Earnings Announcement



May 15, 2017

Company Name: Kyoritsu Maintenance Co., Ltd.

Tokyo Stock Exchange

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

Director: Takumi Ueda, President

Contact: Koji Nakamura, Director, General Manager of Management Planning Department, Tel: +81-3-5295-7778

General Shareholders Meeting (Anticipated): June 28, 2017; Dividend Payment Date (Anticipated): June 29, 2017

Financial Accounts Filing Date (Anticipated): June 28, 2017

Earnings Presentation Document: Available

Earnings Presentation Meeting: Available (for institutional investors)

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

1. Fiscal Year Ended March 2017 Consolidated Earnings (April 1, 2016 to March 31, 2017)

(1) Consolidated Earnings (Aggregated)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/17	135,828	0.6	11,815	15.3	11,514	17.8	7,135	19.5
FY3/16	135,053	22.5	10,244	24.7	9,775	27.6	5,970	36.1

(Note) Comprehensive income: ¥7,290 million (34.9% YoY) in FY3/17; ¥5,405 million (3.9% YoY) in FY3/16

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Asset Ratio	Operating Margin
	Yen	Yen	%	%	%
FY3/17	184.35	168.66	11.7	6.9	8.7
FY3/16	157.28	152.74	11.4	6.5	7.6

(Reference) Equity accounting method profit: ¥0 in FY3/17; ¥0 in FY3/16

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two shares per one common share. Accordingly, EPS and fully diluted EPS 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
	Million yen	Million yen	%	Yen
FY3/17	173,609	64,320	37.0	1,660.61
FY3/16	161,402	57,974	35.9	1,498.55

(Reference) Capital: ¥64,320 million in FY3/17; ¥57,974 million in FY3/16

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two 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.

(3) Consolidated Cash Flow Conditions

	Operating Cash Flow	Investing Cash Flow	Financing Cash Flow	Cash and Equivalents at Term End
	Million yen	Million yen	Million yen	Million yen
FY3/17	14,412	(28,263)	3,139	14,853
FY3/16	8,222	(13,971)	15,708	25,603

2. Dividend Conditions

	Dividend Per Share					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Dividend to Net Asset Ratio (Consolidated)
	1Q-End	2Q-End	3Q-End	4Q-End	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/16	-	25.00	-	27.00	52.00	1,003	16.5	1.8
FY3/17	-	26.00	-	36.00	62.00	1,200	16.8	2.0
FY3/18 (Forecast)	-	18.00	-	18.00	36.00		17.4	

(Note) The Company carried out a stock split on April 1, 2017 at a ratio of two shares per one common share. The actual dividend amount prior to the stock split is noted here for the fiscal years ended in March 2016 and March 2017. It should be noted regarding the interim dividend and year-end dividend for the fiscal year ending March 31, 2018 (forecast), this has been stated in consideration of the effect of said stock split.

3. Fiscal Year Ending March 2018 Consolidated Earnings Estimates (April 1, 2017 to March 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	74,000	8.1	6,700	(6.6)	6,400	(6.7)	4,300	0.7	111.02
Full Year	148,200	9.1	12,200	3.3	11,700	1.6	8,000	12.1	206.54

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two shares per one common share. With regard to "EPS" of the consolidated earnings estimates, this has been calculated from the number of shares issued (excluding treasury shares) after said stock split.

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

Notes

- (1) Important changes in our subsidiaries, including changes to the scope of our consolidation: None
- (2) 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 |

(3) Shares Issued (Common Stocks)

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

FY3/17	38,954,452	FY3/16	38,904,346
FY3/17	221,546	FY3/16	217,146
FY3/17	38,707,607	FY3/16	37,962,483

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two shares per one common share. Accordingly, shares issued (common stock) has been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

(Reference) Outline of non-consolidated business results

1. Fiscal Year Ended March 2017 Parent Earnings (From April 1, 2016 to March 31, 2017)

(1) Parent Earnings

(% figures show year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the fiscal year ended								
March 31, 2017	112,078	6.8	11,559	19.6	11,735	22.4	7,875	25.4
March 31, 2016	104,912	10.7	9,668	18.9	9,589	18.0	6,279	21.9

	Book Value Per Share	Net Income Per Share–Diluted
	Yen	Yen
For the fiscal year ended		
March 31, 2017	203.46	186.13
March 31, 2016	165.41	160.63

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two shares per one common share. Accordingly, “Book Value Per Share” and “Net Income Per Share–Diluted” have been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

(2) Parent Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value Per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	161,600	63,828	39.5	1,647.92
As of March 31, 2016	146,034	56,802	38.9	1,468.24

(Reference) Shareholders' equity: As of March 31, 2017: ¥63,828 million
As of March 31, 2016: ¥56,802 million

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two 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. Fiscal Year Ending March 2018 Parent Earnings Estimates (April 1, 2017 to March 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	61,200	9.8	6,400	(6.1)	4,500	1.4	116.18
Full Year	123,400	10.1	11,400	(2.9)	8,100	2.9	209.12

(Note) The Company carried out a stock split on April 1, 2017, at a ratio of two shares per one common share. With regard to “EPS” of the parent earnings estimates, this has been calculated from the number of shares issued (excluding treasury shares) after said stock split.

* The earnings announcement is exempt from audit procedures.

*Notes and explanation of appropriate usage of earnings estimates:

(Notes on forecast results)

All earnings estimates and forward-looking statements in this document are based on the best information available and rational decisions of management at the time of its creation, and actual earnings may diverge largely from those estimates and forward-looking statements put forward in this document due to various unforeseen factors. For information regarding earnings estimates and the assumptions upon which they are based, and the usages of these earnings estimates, please refer to “(4) Forecasts” under “1. Overview of Operating Results” on page 8.

(Method for obtaining supplementary explanatory information on financial results and the briefing on financial results)

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

Index

1. Overview of Operating Results	5
(1) Overview of Operating Results in the Fiscal Period under Review	5
(2) Overview of Financial Position in the Fiscal Period under Review	7
(3) Overview of Cash Flows in the Fiscal Period under Review	7
(4) Forecasts	8
(5) Our Basic Policy Regarding the Distribution of Profits in the Current and Next Terms	9
2. Basic Approach to Selecting Accounting Standards	9
3. Consolidated Financial Statements and Important Notes	10
(1) Consolidated Balance Sheets	10
(2) Consolidated Income Statement and Comprehensive Income Statement	12
Consolidated Income Statement	12
Consolidated Comprehensive Income Statements	14
(3) Consolidated Shareholders' Equity Statements	15
(4) Consolidated Cash Flow Statements	17
(5) Consolidated Financial Statement Notes	19
(Notes Regarding Going Concern Assumptions)	19
(Important Articles in the Assumption Used to Create Consolidated Financial Statements)	19
(Segment Information)	19

1. Overview of Operating Results

(1) Overview of Operating Results in the Fiscal Period under Review

1. Overview of Overall Earnings in Current Term

(Consolidated Earnings)

(Unit: million yen)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Net Sales	135,053	135,828	0.6
Operating Income	10,244	11,815	15.3
Ordinary Income	9,775	11,514	17.8
Profit attributable to owners of parent	5,970	7,135	19.5

During the fiscal year ended March 31, 2017, the Japanese economy experienced a modest recovery in employment and income environments, but consumer confidence remained weak, and personal consumption continued to see a lack of strength. In addition, in the global economy, the US, China, and the EU have all seen increased uncertainty. Against this backdrop, Japan's travel market experienced record-high numbers of foreign travelers to Japan from January to December 2016, with a 21.8% climb over the previous year to 24,039,000.

In this environment, the Group accelerated development investment and reinforced profitability to achieve the Kyoritsu Full Acceleration Plan, the medium-term management plan announced in May 2015. In addition, the Group continuously endeavored to enhance its corporate brand image by co-sponsoring the university relay race in Hakone (Hakone Ekiden), which has a high affinity for our business, and entering various IR events.

This fiscal year, in addition to the stable growth in earnings of the dormitory business, there has been strong performance with high occupancy rates and ADR (Average Daily Rate) in the hotel business, partly due to the increase in inbounds, although this was impacted by the initial expenses of eight new facilities. This resulted in a substantial increase in earnings.

As a result, sales rose 0.6% year on year to ¥135,828 million, operating income increased 15.3% to ¥11,815 million and ordinary income was up 17.8% to ¥11,514 million. Profit attributable to owners of parent climbed 19.5% over the previous year to ¥7,135 million. These results set the record for highest earnings, surpassing the results of the previous fiscal year, and resulted in the earnings targets of the medium-term management plan being reached at an early stage.

2. Our Main Business Segment Performance

Dormitory Business (Student, Corporate, Domeal, Consigned Dormitories)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Contracted Residents	35,489	36,474	2.8
Sales (million yen)	44,395	45,644	2.8
Operating Income (million yen)	6,574	7,243	10.2

The dormitory business got off to a good start with a 1.0% year-on-year increase in the initial occupancy rate over the previous year to 98.3%, a level that remained solid throughout the year. In addition, cost optimization has been successful, resulting in a substantial increase in earnings.

The student dormitory business continued to benefit from a high need for dormitories due to the rise in university attendance rates and an increase in students from abroad attending universities in Japan. In this fiscal year, we succeeded in forming new alliances with Tokyo Institute of Technology and seven others. On the other hand, the decrease in the number of preparatory school students throughout Japan did have an effect. As a result, the number of contracted residents in the student dormitories fell by 154 year on year to 20,420 residents, and sales fell by 0.4% year on year to ¥25,280 million.

The corporate dormitory business achieved substantial gains in the number of contracts mainly due to continuous improvement of the employment environment and the rise in the number of corporations introducing employee dormitories. As a result, the number of contracted residents rose by 835 year on year at the end of the fiscal year to 10,833, and sales rose by 7.2% year on year to ¥12,108 million.

In our Domeal business, we received support from client schools and companies through their introductions of new residents seeking dormitories and also met demand from people looking to move out of dormitories providing meals by providing studio-type dormitory facilities. Consequently, the number of contracted residents rose by 304 year on year to 5,221, and sales grew by 6.4% year on year to ¥4,430 million.

In our consigned dormitory business, we manage corporate and school dormitory facilities on a consigned basis, and we endeavor to differentiate our services by promoting our status as "Japan's best dormitory operator." Sales rose by 7.7% year on year to ¥3,824 million.

As a result, the number of dormitory facilities increased by 10 over the previous year to 465 (excluding consigned facilities), contracted residents grew by 864 to 37,040, and sales and operating income rose 2.8% and 10.2% year on year to ¥45,644 million and ¥7,243 million, respectively.

Hotel Business (Dormy Inn, Resort Hotels)

(Unit: million yen)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Sales	53,430	60,408	13.1
Operating Income	6,006	6,931	15.4

With regard to the hotel business, in addition to demand from domestic travelers and inbounds continuing to increase, we have earned a reputation as a regular place to stay for repeat visitors, have had a high occupancy rate in excess of last fiscal year, and have seen an increase in ADR, resulting in significantly improved earnings.

With respect to the Dormy Inn business hotels, this fiscal year we have opened seven establishments: Natural Springs Tendo no Yu Dormy Inn Abashiri, global cabin Gotanda, Natural Springs Toyama Tsurugi no Yu Onyado Nono, Natural Springs Zenkou no Yu Dormy Inn Nagano, Denma no Yu Dormy Inn PREMIUM Tokyo Kodenmachi, Natural Springs Kafu no Yu Onyado Nono Namba, and Dormy Inn SEOUL Gangnam. “global cabin Gotanda” is a new cabin type hotel concept that secures the rationality of a capsule hotel, the comfort of a Dormy Inn, and private space, and is a response to the diversifying needs of our customers. The Dormy Inn business has seen the number of inbound customers increase by 25% compared to the same period last year. As a result, sales were up 13.2 % year on year to ¥32,316 million.

In the resort hotel business, we opened the Naruko Onsen Yumoto Kissho. The overall occupancy rate remained high and surpassed the results of the previous fiscal year, partly due to an increase over typical years in occupancy rates of our hotels in the Hakone region, which were affected by an increase in the level of the volcano threat alert during the previous fiscal period. In addition, cost management was thorough due to flexible personnel assignments tailored to individual occupancy conditions. Consequently, sales rose by 12.9% year on year to ¥28,091 million.

As a result of these efforts, the total number of facilities in operation rose to 86 (up eight from the previous year) and the number of rooms to 12,716 (up 1,121 from the previous fiscal year) in the hotel business overall. Sales and operating income rose 13.1% and 15.4% year on year to ¥60,408 million and ¥6,931 million, respectively.

Contracted Services Business

(Unit: million yen)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Sales	14,859	15,953	7.4
Operating Income	508	518	1.9

In the contracted services business, both revenues and earnings increased due to an increase in building management and building construction work. As a result, sales increased 7.4% to ¥15,953 million and operating income increased by 1.9% year on year to ¥518 million.

Food Services Business

(Unit: million yen)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Sales	5,787	6,498	12.3
Operating Income	(4)	53	—

Both revenues and earnings increased in the food service business as the number of contracted hotel restaurants rose. Consequently, sales rose by 12.3% year on year to ¥6,498 million, and operating income increased by ¥58 million year on year to ¥53 million.

Construction Business

(Unit: million yen)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Sales	16,313	23,007	41.0
Operating Income	677	946	39.7

The construction business generated significant increases in revenue and earnings as a result of bringing in greater numbers of orders for hotel development. Consequently, sales and operating income rose by 41.0% and 39.7% year on year to ¥23,007 million and ¥946 million, respectively.

Other Business

(Unit: million yen)

	Previous Term FY3/16	Current Term FY3/17	% YoY Change
Sales	11,786	11,172	(5.2)
Operating Income	(212)	(404)	—

Our other business segments are the Senior 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 ¥11,172 million, a decrease of 5.2% year on year, and incurred an operating loss of ¥404 million, in comparison with an operating loss of ¥212 million in the previous fiscal year. The main cause of the operating loss was the effect of the opening of new facilities in the Senior Life Business.

(2) Overview of Financial Position in the Fiscal Period under Review

(Assets)

During the current fiscal year, total consolidated assets increased by ¥12,206 million from the end of the previous fiscal year to ¥173,609 million. The main factors behind this increase included rises in land and construction in progress.

(Liabilities)

Over the same period, total liabilities increased by ¥5,861 million to ¥109,289 million, due primarily to an increase in bonds and a decrease in loans.

(Net Assets)

Net assets increased by ¥6,345 million to ¥64,320 million over the same period due primarily to an increase in retained earnings.

Consequently, equity ratio rose by 1.1 points from the end of the previous fiscal year to 37.0%.

(3) Overview of Cash Flows in the Fiscal Period under Review

Consolidated cash and equivalents decreased by ¥10,750 million from the end of the previous term to ¥14,853 million at the end of the current term.

(Cash Flow from Operating Activities)

The net cash inflow from operating activities increased by ¥6,190 million from the previous term to ¥14,412 million in the current term, due to a decrease in notes and accounts receivable – trade and inventories.

(Cash Flow from Investing Activities)

The purchase of property, plant and equipment, and payments for lease and guarantee deposits led to a ¥14,292 million increase in the net cash outflow year on year to ¥28,263 million in investing activities.

(Cash Flow from Financing Activities)

A net cash inflow in financing activities decreased by ¥12,569 million from the previous term to ¥3,139 million reflecting proceeds from a decrease in short-term loans payable and proceeds from the issuance of bonds.

(Reference) Trends in Our Cash Flow Indicators

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Equity Ratio (%)	28.4	26.2	33.6	35.9	37.0
Equity Ratio, Market Capital-Based (%)	30.7	34.4	72.6	116.4	74.0
Cash Flow to Interest-Bearing Liability Ratio (%)	11.6	8.8	7.5	8.2	5.0
Interest Coverage Ratio (x)	4.0	7.3	8.9	10.2	24.9

Equity Ratio: Capital / Total Assets

Equity Ratio, Market Capital-Based: Market Capitalization / Total Assets

Cash Flow to Interest-Bearing Liability Ratio: Interest-Bearing Liabilities / Operating Cash Flow

Interest Coverage Ratio: Operating Cash Flow / Interest Payments

(Note) 1. Each indicator is based on consolidated financial data.

2. Market capitalization excludes treasury stock.

3. Cash flow is based on our operating cash flow.

4. Interest-bearing debt includes all of the liabilities that bear interest payments on our consolidated balance sheet.

5. We use interest payments from our consolidated cash flow statements.

(4) Forecasts

(Consolidated)

(Unit: million yen)

	Current Term FY3/17	Coming Term FY3/18	% YoY Change
Net Sales	135,828	148,200	9.1
Operating Income	11,815	12,200	3.3
Ordinary Income	11,514	11,700	1.6
Profit Attributable to Owners of Parent	7,135	8,000	12.1

(Parent Earnings)

(Unit: million yen)

	Current Term FY3/17	Coming Term FY3/18	% YoY Change
Net Sales	112,078	123,400	10.1
Ordinary Income	11,735	11,400	(2.9)
Net Income	7,875	8,100	2.9

With regard to the future outlook, although the moderate economic recovery in the Japanese economy is expected to continue, uncertainties such as political risk in the US and Europe, the new president in South Korea, and the slowdown of the Chinese and Asian economies are forecast to continue. Furthermore, in the medium term, reflecting the increase in visitors in conjunction with the Tokyo 2020 Olympic and Paralympic Games, it is forecast that there will be significant environmental changes, including soaring construction costs and personnel shortages, etc. In regard to this, in order to overcome these environmental changes, we formulated the new medium-term management plan “Kyoritsu Jump Up Plan”, conducted development in advance, and created a stable management base at an early stage.

In the next fiscal year, which is the first year of the new medium-term management plan, the dormitory business occupancy rate in April got off to a good start at 98.3%, the same as in the previous year. Operation of the dormitory business remains stable, and we expect solid performance in the next fiscal year. Kyoritsu is taking steps to flexibly respond to greater diversification among residents as well as their diverse needs, while also building a stable revenue structure by optimizing costs.

In the hotel business, as the first fiscal year of advanced development, we plan to open nine new facilities in the Dormy Inn business, with the Myojin no Yu Dormy Inn PREMIUM Kanda, Natural Hot Springs Hyuga no Yu Dormy Inn Miyazaki (tentative name), Natural Hot Springs Kaijin no Yu Dormy Inn EXPRESS Sendai Seaside (tentative name), global cabin Suidobashi (tentative name), Dormy Inn Kofu Marunouchi (tentative name), Dormy Inn Izumo (tentative name), Onyado Nono Nara (tentative name), Dormy Inn Kochi (tentative name), and Dormy Inn Matsuyama (tentative name). The resort hotel business plans to open four new facilities, with the Inishie no Yado Taisha no Yu Keiun (tentative name), Oyado Tsukiyo no Usagi (tentative name), Le Cyan Karuizawa (tentative name), and Setsugetsuka Bettei Gora Suiun (tentative name). It should be noted that the opening costs for these new hotels are forecast to be 1.27 billion yen.

In the contracted services business, Kyoritsu will implement measures to increase our credibility with customers through improvements in our specialized technologies and product lineup. These measures will also allow us to aggressively provide customers with high-quality building maintenance and other services that are highly competitive within the market with our new enhanced organization.

In the food services business, Kyoritsu will develop products and services with high levels of customer satisfaction, and implement strict management of variable costs as part of its earnings reform strategy.

In our construction business, we will continue to support the Kyoritsu Group development and new facility opening plans, in addition to cultivating external clients and strictly managing costs.

In our other business segment, we will focus on quickly establishing a business model to make the Senior Life business and the Public Kyoritsu Partnership (PKP) next-generation businesses and realize higher levels of profitability.

As a consequence of the above, in the next fiscal year, net sales are expected to increase 9.1% to ¥148,200 million, operating income to rise 3.3% to ¥12,200 million, ordinary income to grow 1.6% to ¥11,700 million and profit attributable owners of parent to increase 12.1% to ¥8,000 million on a consolidated basis. On a parent basis, we forecast a 10.1% increase in net sales to ¥123,400 million, a 2.9% decrease in ordinary income to ¥11,400 million and a 2.9% increase in net income to ¥8,100 million. The reason for the profit growth rate being more moderate than in the previous year is the effect of the preparation costs for the new facilities in the hotel business, but this is a temporary phenomenon associated with advanced development aimed toward dramatic growth in the future.

It should be noted that the forecasts above were created based on the information that could be obtained as of the publication date of this document, and actual results may differ from the forecast values due to various factors in the future.

(5) Our Basic Policy Regarding the Distribution of Profits in the Current and Next Terms

We consider the capital contributed by shareholders to be invaluable, and place a high priority on the distribution of profits to our shareholders in line with our earnings performance. One of our goals is to maintain a stable level of dividends over the long term and we have established a target dividend payout ratio of 20%. With regard to the current term, in addition to the steadily improving performance of the dormitory business, which is the main business, our strong performance in the hotel business compared to the previous year, thanks to strong customer reviews, has resulted in the profit targets of the medium-term management plan being achieved early, and we have recorded a record high profit. Consequently, we anticipate increasing our dividend by ¥10 per share to ¥36 at the term-end for a full-year dividend of ¥62 per share. In the next fiscal year, we plan to pay ¥36 as full-year dividend. This is substantially a 16% effectual increase year on year, considering the two-for-one stock split that we carried out on April 1. In the future, we will endeavor to maintain a stable level of dividends while also responding flexibly to reflect changes in our earnings. At the same time, we also seek to retain a level of earnings that will give our management the flexibility to make necessary capital investments in response to changes in the market and to develop new businesses whenever appropriate.

2. Basic Approach to Selecting Accounting Standards

The Group prepares its consolidated financial statements using Japanese standards, in consideration of the ability to compare periods in consolidated financial statements and make comparisons between companies.

The Group will respond appropriately to the adoption of IFRS in light of conditions in Japan and overseas.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

(Unit: million yen)

	Previous Term (March 31, 2016)	Current Term (March 31, 2017)
Assets		
Current assets		
Cash and deposits	25,960	15,210
Notes and accounts receivable – trade	9,763	8,643
Real estate for sale	2,827	920
Costs on uncompleted construction contracts	331	420
Deferred tax assets	998	954
Other	5,370	6,224
Allowance for loan losses	(19)	(23)
Total current assets	45,231	32,350
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,601	65,795
Accumulated depreciation	(23,263)	(25,543)
Buildings and structures, net	36,337	40,251
Land	33,807	37,770
Construction in progress	6,906	17,373
Other	9,962	10,935
Accumulated depreciation	(7,772)	(8,236)
Other, net	2,190	2,698
Total property, plant and equipment	79,240	98,094
Intangible assets	1,710	2,957
Investments and other assets		
Investment securities	5,034	5,032
Long-term loans receivable	293	413
Guarantee deposits	12,199	14,561
Lease deposits	10,103	11,526
Net defined benefit asset	2	7
Deferred tax assets	1,189	1,314
Other	6,492	7,243
Allowance for doubtful accounts	(212)	(206)
Total investments and other assets	35,103	39,892
Total non-current assets	116,054	140,944
Deferred assets		
Bond issuance cost	116	313
Total deferred assets	116	313
Total assets	161,402	173,609

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

(Unit: million yen)

	Previous Term (March 31, 2016)	Current Term (March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	6,966	6,230
Short-term loans payable	21,471	17,398
Current portion of bonds	1,350	2,950
Income taxes payable	2,765	2,175
Advances received	11,079	11,431
Provision for bonuses	1,700	1,829
Provision for directors' bonuses	426	486
Provision for warranties for completed construction	8	8
Provision for point card certificates	18	18
Provision for loss on construction contracts	—	30
Other	7,861	9,920
Total current liabilities	53,648	52,477
Non-current liabilities		
Bonds payable	5,600	18,650
Convertible bond-type bonds with subscription rights to shares	20,608	20,511
Long-term loans payable	17,940	11,842
Long-term guarantee deposited	3,090	3,104
Deferred tax liabilities	460	448
Net defined benefit liability	1,072	1,102
Director retirement benefit reserve	287	287
Provision for point card certificates	25	28
Asset retirement obligations	238	399
Other	454	437
Total non-current liabilities	49,779	56,811
Total liabilities	103,428	109,289
Net assets		
Shareholders' equity		
Capital stock	7,654	7,703
Capital surplus	12,509	12,558
Retained earnings	37,778	43,888
Treasury shares	(305)	(321)
Total shareholders' equity	57,637	63,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	736	834
Foreign currency translation adjustment	(393)	(356)
Remeasurements of defined benefit plans	(5)	13
Total accumulated other comprehensive income	336	491
Total net assets	57,974	64,320
Total liabilities and net assets	161,402	173,609

(2) Consolidated Income Statement and Comprehensive Income Statement
(Consolidated Income Statement)

	(Unit: million yen)	
	Previous Term (April 1, 2015 to March 31, 2016)	Current Term (April 1, 2016 to March 31, 2017)
Net sales	135,053	135,828
Cost of sales	107,189	105,255
Gross profit	27,863	30,573
Selling, general and administrative expenses		
Salaries, allowances and bonuses	4,228	4,400
Welfare expenses	886	907
Provision for bonuses	537	532
Provision for directors' bonuses	426	486
Retirement benefit expenses	51	92
Director retirement reserve provisions	1	1
Promotion expenses	2,225	2,011
Commission fee	5,023	5,980
Provision of allowance for doubtful accounts	22	9
Provision for point card certificates	12	6
Business consignment expenses	1,295	1,346
Rent expenses	323	431
Depreciation	171	196
Other	2,413	2,353
Total selling, general and administrative expense	17,619	18,757
Operating income	10,244	11,815
Non-operating income		
Interest income	159	67
Dividend income	90	127
Gain on investments in partnership	9	59
Deposit redemption income	102	115
Other	257	189
Total non-operating income	618	559
Non-operating expenses		
Interest expenses	803	587
Commission fee	101	103
Other	183	168
Total non-operating expenses	1,087	859
Ordinary income	9,775	11,514

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

(Unit: million yen)

	Previous Term (April 1, 2015 to March 31, 2016)	Current Term (April 1, 2016 to March 31, 2017)
Extraordinary income		
Gain on sales of investment securities	47	-
Gain on cancellation of leasehold contracts	432	-
Total extraordinary income	479	-
Extraordinary losses		
Impairment loss	180	198
Loss on disaster	-	309
Loss on store closing	75	-
Settlement funds	175	-
Other	39	30
Total extraordinary losses	470	539
Income before income taxes	9,784	10,975
Income taxes – current	4,092	3,984
Income taxes – deferred	(278)	(144)
Total income taxes	3,813	3,839
Profit	5,970	7,135
Profit attributable to owners of parent	5,970	7,135

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

(Consolidated Comprehensive Income Statements)

	(Unit: million yen)	
	Previous Term (April 1, 2015 to March 31, 2016)	Current Term (April 1, 2016 to March 31, 2017)
Profit	5,970	7,135
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	97
Foreign currency translation adjustment	(514)	37
Remeasurements of defined benefit plans	(40)	18
Total other comprehensive income	(565)	154
Comprehensive income	5,405	7,290
(Details)		
Comprehensive income attributable to owners of parent	5,405	7,290

(3) Consolidated Shareholders' Equity Statements

Consolidated Figures for Fiscal Year Ended March 2016 (April 1, 2015 to March 31, 2016)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	5,136	9,313	32,670	(1,109)	46,011
Increase (decrease) due to change					
Issuance of new shares (exercise of subscription rights to shares)	2,518	2,517			5,036
Dividends from surplus			(863)		(863)
Profit attributable to owners of parent			5,970		5,970
Acquisition of treasury stock				(127)	(127)
Sales of treasury stock		678		931	1,610
Items other than changes in shareholders' equity, due to change (net)					
Total change during fiscal year	2,518	3,196	5,107	804	11,626
Balance as of end of current fiscal year	7,654	12,509	37,778	(305)	57,637

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on other securities	Translation adjustments	Retirement benefit-related adjustments	Total accumulated other comprehensive income	
Balance as of start of current fiscal year	747	120	34	902	46,913
Increase (decrease) due to change					
Issuance of new shares (exercise of subscription rights to shares)					5,036
Dividends from surplus					(863)
Profit attributable to owners of parent					5,970
Acquisition of treasury stock					(127)
Sales of treasury stock					1,610
Items other than changes in shareholders' equity, due to change (net)	(10)	(514)	(40)	(565)	(565)
Total change during fiscal year	(10)	(514)	(40)	(565)	11,061
Balance as of end of current fiscal year	736	(393)	(5)	336	57,974

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

Consolidated Figures for Fiscal Year Ended March 2017 (April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	7,654	12,509	37,778	(305)	57,637
Cumulative impact of changes in the accounting policy					-
Issuance of new shares (exercise of subscription rights to shares)	48	48			97
Dividends from surplus			(1,025)		(1,025)
Profit attributable to owners of parent			7,135		7,135
Acquisition of treasury stock				(17)	(17)
Sales of treasury stock		0		0	1
Items other than changes in shareholders' equity, due to change (net)					
Total change during fiscal year	48	49	6,110	(16)	6,191
Balance as of end of current fiscal year	7,703	12,558	43,888	(321)	63,829

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on other securities	Translation adjustments	Retirement benefit-related adjustments	Total accumulated other comprehensive income	
Balance as of start of current fiscal year	736	(393)	(5)	336	57,974
Increase (decrease) due to change					
Issuance of new shares (exercise of subscription rights to shares)					97
Dividends from surplus					(1,025)
Profit attributable to owners of parent					7,135
Acquisition of treasury stock					(17)
Sales of treasury stock					1
Items other than changes in shareholders' equity, due to change (net)	97	37	18	154	154
Total change during fiscal year	97	37	18	154	6,345
Balance as of end of current fiscal year	834	(356)	13	491	64,320

(4) Consolidated Cash Flow Statements

(Unit: million yen)

	Previous Term FY3/16 (April 1, 2015 to March 31, 2016)	Current Term FY3/17 (April 1, 2016 to March 31, 2017)
Cash flow from operating activities		
Income before income taxes	9,784	10,975
Depreciation	3,602	3,945
Amortization of long-term prepaid expenses	351	441
Amortization of guarantee deposits	200	225
Increase (decrease) in provision for bonuses	429	128
Interest and dividend income	(249)	(194)
Interest expenses	803	587
Loss (gain) on investments in partnership	(9)	(59)
Impairment loss	180	198
Loss on disaster	-	309
Loss on closing of stores	75	-
Gain on cancellation of leasehold contracts	(432)	-
Settlement funds	175	-
Decrease (increase) in notes and accounts receivable – trade	(2,923)	1,122
Decrease (increase) in accounts receivable – other	(52)	(167)
Decrease (increase) in inventories	(955)	1,750
Increase (decrease) in notes and accounts payable – trade	1,729	(737)
Increase (decrease) in advances received	(952)	216
Increase (decrease) in accounts payable – other	(180)	156
Increase (decrease) in accrued consumption taxes	(556)	333
Increase (decrease) in deposits received	44	109
Increase (decrease) in guarantee deposits received	197	39
Other	559	48
Subtotal	11,822	19,431
Interest and dividend income received	197	274
Interest expenses paid	(806)	(579)
Income taxes refund	17	1
Income taxes paid	(3,008)	(4,715)
Cash flow from operating activities	8,222	14,412
Cash flow from investing activities		
Purchase of securities	(2)	(11)
Proceeds from sales of securities	1,159	352
Purchase of property, plant and equipment	(13,255)	(22,442)
Proceeds from sales of property, plant and equipment	746	112
Purchase of intangible assets	(155)	(1,401)
Purchase of long-term prepaid expenses	(406)	(449)
Payments of loans receivable	(798)	(509)
Collection of loans receivable	1,539	672
Payments for lease and guarantee deposits	(2,268)	(4,380)
Proceeds from collection of lease and guarantee deposits	417	203
Purchase of insurance funds	(988)	(1,001)
Proceeds from cancellation of insurance funds	87	331
Other	(43)	260
Cash flow from investing activities	(13,971)	(28,263)

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

(Unit: million yen)

	Previous Term FY3/16 (April 1, 2015 to March 31, 2016)	Current Term FY3/17 (April 1, 2016 to March 31, 2017)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	3,000	(1,400)
Proceeds from long-term loans payable	3,800	2,600
Repayments of long-term loans payable	(8,660)	(11,371)
Proceeds from issuance of bonds	19,966	15,756
Redemption of bonds	(1,350)	(1,350)
Purchase of treasury shares	(127)	(17)
Cash dividends paid	(861)	(1,023)
Other	(58)	(55)
Cash flow from financing activities	15,708	3,139
Effect of exchange rate change on cash and cash equivalents	(114)	(38)
Net increase (decrease) in cash and cash equivalents	9,844	(10,750)
Cash and cash equivalents at beginning of period	15,758	25,603
Cash and cash equivalents at end of period	25,603	14,853

(5) Consolidated Financial Statement Notes
(Notes Regarding Going Concern Assumptions)
Not applicable

(Important Articles in the Assumption Used to Create Consolidated Financial Statements)

1. Scope of Consolidation

(1) Consolidated subsidiaries: 9 Companies

Kyoritsu Estate Co., Ltd.
Kyoritsu Trust Co., Ltd.
Kyoritsu Food Service Co., Ltd.
Japan Placement Center Co., Ltd.
Kyoritsu Financial Service Co., Ltd.
Builnet Co., Ltd.
Central BuilWork Co., Ltd.
Kyoritsu Maintenance Korea Co., Ltd.
Kyoritsu Insurance Service Co., Ltd.

(2) Non-Consolidated Subsidiaries: 6 Companies

Flat Co., Ltd.
Okinawa Kyoritsu Maintenance Co., Ltd.
Kyoritsu Assist Co., Ltd.
Ecofoods Co., Ltd.
Ryokan Okunobo
Kyoritsu Maintenance Taiwan co.,Ltd

(Reason for the exclusion from scope of consolidated accounts)

The assets, sales and net income of these non-consolidated companies only amount to a marginal amount of the total consolidated accounts and are not considered to be important enough to be included in consolidated accounts.

(Segment Information)

1) Overview of Reported Segments

Financial information related to the individual divisions of our business segments is readily available, and our management considers the validity of these segments on a regular basis during their board of directors' meetings in assessing segment earnings and the allocation of business resources in accordance with these segments. Our divisions and subsidiaries responsible for the various services within our Group are also responsible for developing both strategies and business activities for their respective businesses. Therefore, our segments are defined by the basic services provided by each of the divisions and subsidiaries and are divided into five main segments including "dormitories," "hotels," "contracted services," "food services," and "construction."

We provide an overview of our reported business segments as follows:

Dormitories: Dormitories provided to students and corporate employees, Domeal, management of outsourced dormitories

Hotels: Dormy Inn business hotels, resort hotels

Contracted Services: Office building and residential property management services

Food Services: Restaurant business, management of outsourced cafeterias, hotel restaurants and other facilities

Construction: Planning, design and construction, real estate brokerage business, condominiums for sale, other related services

2) Method of calculation for sales, income and losses, assets and other items of reported segments

Profits in the reported business segments are operating income.

Intersegment earnings and transfers are based on actual market pricing.

3) Sales, profits, assets and other information regarding reporting segments
 Consolidated Figures for Fiscal Year Ended March 2016 (April 1, 2015 to March 31, 2016)

(Unit: million yen)

	Reporting Segments						Other (Note 1)	Total	Adjustments (Note 2)	Values Used in Consolidated Financial Statements (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Net sales										
External sales	44,164	53,319	7,820	1,663	16,741	123,709	11,344	135,053	—	135,053
Intersegment sales and transfers	231	110	7,038	4,124	(428)	11,076	442	11,519	(11,519)	—
Total	44,395	53,430	14,859	5,787	16,313	134,786	11,786	146,572	(11,519)	135,053
Operating income	6,574	6,006	508	(4)	677	13,762	(212)	13,550	(3,306)	10,244
Assets	44,461	66,140	12,514	1,343	12,176	136,636	7,580	144,217	17,184	161,402
Other items										
Depreciation	1,137	2,238	103	67	23	3,570	118	3,689	(86)	3,602
Impairment loss	15	9	—	—	143	169	10	180	—	180
Change in property, plant and equipment and intangible assets	2,447	12,519	27	413	774	16,182	99	16,282	(595)	15,686

(Notes)

1. Other is not considered as a reporting business segment and is comprised of the Senior Life (formerly Wellness 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 services and other related services.

2. Details of adjustments are provided below.

(Unit: million yen)

Operating Income	
Intersegment transaction cancellations	(247)
Companywide expenses (Note)	(3,058)
Total	(3,306)

(Note) Companywide expenses represent the expenses associated primarily with finance and accounting, and other operations associated with headquarters.

(Unit: million yen)

Segment Assets	
Intersegment transaction cancellations	(7,647)
Companywide assets (Note)	24,832
Total	17,184

(Note) Companywide assets represent cash and equivalents, investment securities, deferred tax assets and other assets associated with headquarters.

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

4. In addition to the above impairment loss, a ¥39 million impairment loss in the food business is included in loss on store closing.

Kyoritsu Maintenance (9616), FYE March 2017 Earnings Announcement

Consolidated Figures for Fiscal Year Ended March 2017 (April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Reporting Segments						Other (Note 1)	Total	Adjustments (Note 2)	Values Used in Consolidated Financial Statements (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	45,404	60,274	8,219	1,707	9,505	125,111	10,716	135,828	—	135,828
Intersegment sales and transfers	239	134	7,733	4,791	13,501	26,400	455	26,856	(26,856)	—
Total	45,644	60,408	15,953	6,498	23,007	151,512	11,172	162,684	(26,856)	135,828
Operating income	7,243	6,931	518	53	946	15,693	(404)	15,289	(3,474)	11,815
Assets	46,958	89,370	12,235	1,356	11,905	161,827	7,385	169,212	4,397	173,609
Other items										
Depreciation	1,076	2,639	87	64	47	3,915	113	4,029	(83)	3,945
Impairment loss	16	—	89	52	—	158	40	198	—	198
Change in property, plant and equipment and intangible assets	2,994	23,694	77	43	6	26,815	56	26,872	(1,213)	25,659

(Notes)

1. Other is not considered as a reporting business segment and is comprised of 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 services and other related services.
2. Details of adjustments are provided below.

(Unit: million yen)

Operating Income	
Intersegment transaction cancellations	(781)
Companywide expenses (Note)	(2,692)
Total	(3,474)

(Note) Companywide expenses represent the expenses associated primarily with finance and accounting, and other operations associated with the headquarters.

(Unit: million yen)

Segment Assets	
Intersegment transaction cancellations	(11,029)
Companywide expenses (Note)	15,426
Total	4,397

(Note) Companywide assets represent cash and equivalents, investment securities, deferred tax assets and other assets associated with headquarters.

3. Segment operating income is derived from adjustments made to the operating income of the consolidated financial statements.

Units: million yen

Consolidated Income Statement	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14	3/15	3/16	3/17	3/18E
net sales	66,287	75,606	82,303	84,513	84,983	91,170	99,472	105,216	110,212	135,053	135,828	148,200
gross income	12,242	14,183	15,507	13,957	15,408	17,863	19,910	21,524	23,338	27,863	30,573	33,200
operating income	3,745	4,492	5,349	4,033	4,610	6,017	6,521	7,490	8,217	10,244	11,815	12,200
ordinary income	3,787	4,167	4,510	3,012	3,308	4,602	5,599	6,796	7,663	9,775	11,514	11,700
net income	2,413	2,740	2,133	1,254	1,052	2,376	3,206	3,829	4,387	5,970	7,135	8,000
Consolidated Balance Sheet												
current assets	24,901	19,967	21,852	23,104	36,783	28,234	30,852	37,473	31,457	45,231	32,350	na
fixed assets	85,562	95,728	103,891	115,980	104,428	97,319	91,335	94,434	108,190	116,054	140,944	na
total assets	110,507	115,738	125,793	139,209	141,314	125,649	122,259	131,995	139,750	161,402	173,609	na
current liabilities	37,342	44,119	41,615	41,499	50,546	38,961	38,892	40,819	47,590	53,648	52,477	na
fixed liabilities	46,068	44,079	55,266	67,956	60,600	55,135	48,584	56,586	45,246	49,779	56,811	na
total liabilities	83,411	88,199	96,882	109,455	111,147	94,097	87,476	97,405	92,836	103,428	109,289	na
net assets	27,096	27,538	28,911	29,753	30,166	31,551	34,782	34,590	46,913	57,974	64,320	na
yy change												
net sales	5.1%	14.1%	8.9%	2.7%	0.6%	7.3%	9.1%	5.8%	4.7%	22.5%	0.6%	9.1%
gross income	3.9%	15.9%	9.3%	-10.0%	10.4%	15.9%	11.5%	8.1%	8.4%	19.4%	9.7%	8.6%
operating income	-18.8%	19.9%	19.1%	-24.6%	14.3%	30.5%	8.4%	14.9%	9.7%	24.7%	15.3%	3.3%
ordinary income	-21.5%	10.0%	8.2%	-33.2%	9.8%	39.1%	21.7%	21.4%	12.7%	27.6%	17.8%	1.6%
net income	20.0%	13.6%	-22.2%	-41.2%	-16.1%	125.7%	34.9%	19.4%	14.6%	36.1%	19.5%	12.1%
margins												
gross margins	18.5%	18.8%	18.8%	16.5%	18.1%	19.6%	20.0%	20.5%	21.2%	20.6%	22.5%	22.4%
operating margins	5.7%	5.9%	6.5%	4.8%	5.4%	6.6%	6.6%	7.1%	7.5%	7.6%	8.7%	8.2%
ordinary margins	5.7%	5.5%	5.5%	3.6%	3.9%	5.0%	5.6%	6.5%	7.0%	7.2%	8.5%	7.9%
net margins	3.6%	3.6%	2.6%	1.5%	1.2%	2.6%	3.2%	3.6%	4.0%	4.4%	5.3%	5.4%
other benchmarks												
ROE	9.2%	10.1%	7.6%	4.3%	3.5%	7.7%	9.7%	11.0%	10.8%	11.4%	11.7%	na
ROA	2.2%	2.4%	1.7%	0.9%	0.7%	1.9%	2.6%	2.9%	3.1%	3.7%	6.9%	na
equity ratio	24.4%	23.6%	22.8%	21.2%	21.3%	25.1%	28.4%	26.2%	33.6%	35.9%	37.0%	na