



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

Summary of Financial Statements
[JGAAP](Consolidated)

Financial Results for the Fiscal Year Ended
March 31,2019



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May 15, 2019

Company Name: Kyoritsu Maintenance Co., Ltd.

Stock Exchange listing: Tokyo

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

Representative: Takumi Ueda, President

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Scheduled date of annual general meeting of shareholders: June 26, 2019

Scheduled date of dividend payment commencement: June 27, 2019

Scheduled date of securities report submission: June 26, 2019

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes (for institutional investors and analysts)

(Million JPY, rounded down to the nearest million)

1. Consolidated financial results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results (% figures represent change from previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/19	162,811	7.1	14,567	11.3	14,321	10.8	9,567	9.0
FY3/18	152,021	11.9	13,087	10.8	12,928	12.3	8,778	23.0

(Note) Comprehensive income: ¥9,374 million (+11.1% YoY) in FY3/19; ¥8,436 million (+15.7% YoY) in FY3/18

	EPS	Fully Diluted EPS	ROE	Ratio of Ordinary profit to total assets	Operating Margin
	Yen	Yen	%	%	%
FY3/19	245.41	226.17	12.6	7.3	8.9
FY3/18	225.86	207.50	12.9	7.1	8.6

(Reference) Share of profit(loss) on investments accounted for using the equity method: ¥0 in FY3/19; ¥0 in FY3/18

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million yen	Million yen	%	Yen
FY3/19	202,531	79,570	39.3	2,040.75
FY3/18	190,929	71,839	37.6	1,842.79

(Reference) Capital: ¥79,570 million in FY3/19; ¥71,839 million in FY3/18

(3) Consolidated Cash Flows

	Net Cash from (used in) operating activities	Net Cash from (used in) investing activities	Net Cash from (used in) financing activities	Cash and cash equivalents at the end of FY
	Million yen	Million yen	Million yen	Million yen
FY3/19	17,963	(21,474)	2,606	16,070
FY3/18	13,029	(16,676)	5,804	16,972

2. Dividends

	Annual Dividend Per Share					Total Dividends	Dividend Payout Ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Q1-End	Q2-End	Q3-End	Q4-End	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/18	-	18.00	-	22.00	40.00	1,556	17.7	2.3
FY3/19	-	20.00	-	25.00	45.00	1,754	18.3	2.3
FY3/20 (Projection)	-	22.00	-	25.00	47.00		18.0	

3. Projected Consolidated Results for Fiscal 2019 (April 1, 2019 to March 31, 2020)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of the Company		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	183,000	12.4	15,700	7.8	15,400	7.5	10,200	6.6	261.60

(Note) The Company decided to manage on an annual basis beginning with the fiscal year ending March 2020, and thus consolidated financial forecasts for the first half of the fiscal year are not provided.

Kyoritsu Maintenance (9616)
Consolidated Financial Statements for Fiscal Year Ended March 31, 2019

Notes

- (1) Changes in significant subsidiaries during the period, including changes in specified subsidiaries resulting in the change in consolidation scope: None
- (2) 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
- (3) 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

FY3/19	39,218,330	FY3/18	39,209,238
FY3/19	227,634	FY3/18	225,193
FY3/19	38,986,480	FY3/18	38,866,440

(Reference) Summary of Unconsolidated financial results

1. Unconsolidated financial results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(1) Unconsolidated Operating Results (% figures represent change from previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY3/19	141,500	13.6	13,561	12.3	13,795	11.6	9,490	67.4
FY3/18	124,588	11.2	12,077	4.5	12,365	5.4	5,669	(28.0)

	EPS	Fully diluted EPS
	Yen	Yen
FY3/19	243.44	224.36
FY3/18	145.87	134.01

(2) Unconsolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY3/19	185,726	75,976	40.9	1,948.58
FY3/18	171,945	68,262	39.7	1,751.03

(Reference) Capital: As of March 31, 2019: ¥75,976 million
As of March 31, 2018: ¥68,262 million

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

*Note to ensure appropriate use of forecasts and other noteworthy items:

(Notes on forecast results)

Financial forecast is 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. Overview of Operating Results, (4) Outlook for Fiscal 2019" on page 9.

(Method for obtaining supplementary materials for financial statements such as presentation materials for the earnings release conference)

The Company will post supplementary materials including presentation materials for earnings release conference on our website.

Index

1. Financial Highlights for the Year Ended March 31, 2019	5
(1) Business Performance	5
(2) Consolidated Financial Position	8
(3) Consolidated Cash Flow	8
(4) Outlook for FY3/20	9
(5) Earnings Allocation Policy and Dividends for FY3/19 and FY3/20	10
2. Basic Approach to the Selection of Accounting Standards	10
3. Consolidated Financial Statements and Major Notes	11
(1) Consolidated Balance Sheets	11
(2) Consolidated Income Statement and Comprehensive Income Statement	13
Consolidated Income Statement	13
Consolidated Comprehensive Income Statements	15
(3) Consolidated Statement of Shareholders' Equity	16
(4) Consolidated Statement of Cash Flow	18
(5) Notes to Consolidated Financial Statements	20
(Notes Regarding Assumptions of a Going Concern)	20
(Scope of Consolidation)	20
(Segment Information)	20

1. Financial Highlights for the Year Ended March 31, 2019

(1) Business Performance

1. Business Overview

(Consolidated Earnings)	(Unit: million yen)		
	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	152,021	162,811	+7.1
Operating Profit	13,087	14,567	+11.3
Ordinary Profit	12,928	14,321	+10.8
Profit attributable to owners of the Company	8,778	9,567	+9.0

During the fiscal year ended March 31, 2019, the Japanese economy recovered modestly due to a recovery in personal spending and improvements in employment conditions, but trends in overseas economies are a concern, and for this reason the future outlook remains uncertain.

Our business environment remained favorable for our core business of dormitory and hotel mainly due to increase in the higher-level educational establishment-going rate, companies introducing dormitories and inbound demand year by year. On the other hand, our business environment was also affected by a string of unpredictable natural disasters from June, including an earthquake and torrential rainfall.

Under the circumstances, we couldn't have done prompt recover from the negative impact of natural disasters any better. We also proactively pursued management of business to further improve customer satisfaction and expanded the business foundation by pursuing advanced developments, which together constitute the framework for the medium-term management plan. In addition, we endeavored to increase in our visibility by running television commercials and participating in various IR events in not only Japan but also overseas. These included co-sponsoring the university relay race in Hakone (Hakone Ekiden), which is closely related to our dormitory business, one of the Company's core businesses.

In addition to the negative impact of natural disasters, the Company recorded ¥1,870 million in expenses related to preparations to open new facilities, as well ¥290 million in expenses for large-scale renovations contributing to further improvement of customer satisfaction. However, we achieved steady growth in the dormitory business, and in the hotel business, revenue per available room (RevPAR; calculated as the product of the average room price by the occupancy rate for each room), one of the key performance indicators, surpassed levels in the previous fiscal year. In addition, income was generated from the real estate securitization. As a result, the Company's profit was higher vs. previous fiscal year offsetting the above temporary negative factors.

Revenue increased 7.1% year on year to ¥162,811 million, operating profit increased 11.3% year on year to ¥14,567 million, ordinary profit increased 10.8% year on year to ¥14,321 million, and profit attributable to owners of the company increased 9.0% year on year to ¥9,567 million. Ordinary profit increased year on year for the ninth straight year and reached a record high for the seventh straight year as the Company made steady strides toward achieving its medium-term management plan. Operating profit, ordinary profit and profit attributable to owners of the company exceeded the revised upward financial forecasts announced on November 9, 2018.

2. Our Performance by major business segment

Dormitory Business (For students/employees, Domeal, Commissioned Dormitories)

(Unit: million yen)

	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	47,052	48,936	4.0
Operating Profit	7,579	7,807	3.0

In the dormitory business, initial occupancy rates at the beginning of the fiscal year in April 2018 were 97.7% (down 0.6 percentage points from the previous fiscal year), but this was caused by the temporary occurrence of empty rooms resulting from the completion timing of a new dormitory for the exclusive use of educational establishments. The number of contracts in the dormitory business for students returned to the previous upward trend, in addition to which the dormitory business for employees also saw a substantial increase in the number of contracts. As a result, the number of contracted residents in the dormitories increased by 1,466 year on year to 38,857 residents as of the end of March, 2019.

The dormitory business for students continued to benefit from a high demand for dormitories mainly driven by the rise in university-going rate and an increase in foreign students attending universities in Japan. The number of contracts increased mainly due to an increase in new dormitories, including two international dormitories for students, and new affiliations with universities. As a result, revenue of dormitory business for students increased 2.2% year on year to ¥25,831 million.

The dormitory business for employees 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, revenue of the dormitory business for employees increased 7.8% year on year to ¥14,120 million.

In our Domeal business, we received support from client educational establishments and companies through their introductions of new residents and also met rising demand of moving to dormitories without board (studio-type rooms) to ones with board. Consequently, revenue of Domeal business grew by 1.3% year on year to ¥4,524 million.

In our commissioned dormitory business, we managed corporate and school dormitory facilities on a commissioned basis, and we endeavored to differentiate our services with the creed “Customers remain a top priority for us” coming from our operating ability as “Best dormitory operator in Japan”. Consequently, revenue of the commissioned dormitory business increased 5.8% year on year to ¥4,459 million.

As a result, the number of dormitory facilities increased by 12 over the previous year (excluding commissioned facilities) to 485, resident capacity grew by 1,325 people to 39,450 people, and revenue and operating profit increased 4.0% and 3.0% year on year to ¥48,936 million and ¥7,807 million, respectively.

Hotel Business (Dormy Inn, Resort Hotels)

(Unit: million yen)

	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	70,160	78,342	11.7
Operating Profit	7,155	8,219	14.9

In the hotel business, domestic travelers and inbound demand continued to increase, despite the impact of natural disasters. In addition, our efforts to ensure that customers were put first resulted in RevPAR that exceeded levels in the previous year. Consequently, both revenue and operating profit increased year on year fully offsetting hotel opening expense.

With respect to the Dormy Inn business, this fiscal year we have opened nine hotels: “Natural Springs Nanbu no Yu Dormy Inn Honhachinohe,” “Natural Springs Shiraito no Yu Dormy Inn Oita,” “Natural Springs Naniwa no Yu Dormy Inn Osaka Tanimachi,” “Kasuga no Yu Dormy Inn Korakuen,” “Dormy Inn Global Cabin Hamamatsu,” “Natural Springs Tamamo no Yu Dormy Inn Takamatsuchuokoenmae,” “Dormy Inn Global Cabin Yokohama Chukagai,” “Natural Springs Asagiri no Yu Dormy Inn PREMIUM Namba ANNEX,” and “Natural Springs Suito no Yu Dormy Inn PREMIUM Osakakitahama.”

The natural disasters above mentioned did have an impact, but we took steps, such as guiding inbound customers to areas outside of the affected regions, by taking advantage of our chain of hotels around the country. As a result, the inbound ratio exceeded the previous year’s level, and many customers in Japan also used our hotels, sustaining increases in the occupancy rates and average daily rate. Consequently, revenue of Dormy Inn business increased 17.7% year on year to ¥46,792 million.

In the resort business, we opened “LA VISTA Kirishima Hills” as our first resort hotel in the Kyushu region, and also opened the “Natural Springs Yururi no Yu Onyado Yuinoshō” in Shirakawago in Gifu Prefecture. Although occupancy rates fell temporarily due to the effects of a series of natural disasters and it took time to recover, RevPAR was maintained at high levels for this fiscal year due to our efforts to further improve customer

satisfaction. As a result, revenue of resort business increased 3.7% year on year to ¥31,550 million. Moreover, we thoroughly implemented cost controls by means of flexible personnel assignments tailored to occupancy conditions. Due to these factors, the total number of hotel facilities in operation increased 10 year on year to 111 and the number of hotel rooms increased 1,796 year on year to 15,940 in the hotel business overall. Revenue increased 11.7% year on year to ¥78,342 million and operating profit increased 14.9% year on year to ¥8,219 million offsetting around ¥1,650 million in expenses for the opening of new facilities, including a new office to be opened in the future, around ¥190 million in large-scale renovation expense aimed at further improving customer satisfaction, and the negative impact of natural disasters.

Comprehensive Building Management Business

(Unit: million yen)

	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	14,877	15,524	4.3
Operating Profit	504	296	(41.2)

In the comprehensive building management business, revenue increased 4.3% year on year to ¥15,524 million mainly driven by an increase in construction projects, but operating profit decreased 41.2% year on year to ¥296 million due to the expiry of certain contracts in the building management division.

Food Service Business

(Unit: million yen)

	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	6,732	6,998	4.0
Operating Profit	158	95	(39.8)

In the food service business, revenue increased 4.0% to ¥6,998 million mainly driven by increase in the number of contracted hotel restaurants managed, but operating profit decreased 39.8% year on year to ¥95 million due to the costs incurred in preparing for the launch of a restaurant business.

Development Business

(Unit: million yen)

	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	22,450	15,851	(29.4)
Operating Profit	1,117	1,906	70.6

In the development business, revenue decreased 29.4% to ¥15,851 because a part of revenue was carried over to the next fiscal year due to timing difference in the completion of construction, but operating profit increased significantly 70.6% year on year to ¥1,906 million due to real estate securitization carried out in this fiscal year and an increase in construction projects with high profit margins.

Other Business

(Unit: million yen)

	Previous Term FY3/18	Current Term FY3/19	% YoY Change
Revenue	11,845	12,402	4.7
Operating Profit	(290)	(125)	—

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 4.7% year on year to ¥12,402 million and operating profit increased to loss of ¥125 million. The Senior Life business and the PKP business have grown steadily.

(2) Consolidated Financial Position

(Assets)

Total assets as of March 31, 2019 were ¥202,531 million, reflecting an increase of ¥11,601 million compared to the end of the previous fiscal year mainly due to increase in land and real estate for sale in process.

(Liabilities)

Total liabilities as of March 31, 2019 were ¥122,961 million, reflecting an increase of ¥3,870 million mainly due to increase in interest-bearing debt.

(Net Assets)

Total net assets as of March 31, 2019 were ¥79,570 million, reflecting an increase of ¥7,730 million mainly due to increase in retained earnings.

Consequently, shareholders' equity ratio increased by 1.7 percentage points from the end of the previous fiscal year to 39.3%.

(3) Consolidated Cash Flow

Consolidated cash and cash equivalents at the end of this fiscal year decreased by ¥901 million from the end of the previous year to ¥16,070 million.

(Net Cash from Operating Activities)

Net cash inflow from operating activities increased by ¥4,934 million from the previous fiscal year to ¥17,963 million mainly due to improvement in accounts receivable-trade and inventories.

(Net Cash used in Investing Activities)

Net cash used in investing activities was ¥21,474 million, mainly coming from "purchase of property, plant and equipment" and "payments for lease and guarantee deposits", an increase of ¥4,798 million from the previous fiscal year.

(Cash Flow from Financing Activities)

A net cash inflow in financing activities decreased by ¥3,198 million from the previous fiscal year to ¥2,606 million mainly due to decrease in proceeds from issuance of bonds.

(Reference) Trends in Our Cash Flow Indicators

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Shareholders' Equity Ratio (%)	33.6	35.9	37.0	37.6	39.3
Shareholders' Equity Ratio – Equity in market value base (%)	72.6	116.4	74.0	103.9	105.7
Cash Flow to Interest-Bearing Debt Ratio (%)	7.5	8.2	5.0	6.1	4.6
Interest Coverage Ratio (x)	8.9	10.2	24.9	26.1	45.3

Shareholders' Equity Ratio: Capital / Total Assets

Shareholders' Equity Ratio – Equity in market value base : Market Capitalization / Total Assets

Cash Flow to Interest-Bearing Debt Ratio: Interest-Bearing Debt / Cash Flow

Interest Coverage Ratio: Cash Flow / Interest Payments

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

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 in our consolidated cash flow statements.

(4) Outlook for FY3/20

(Consolidated)

(Unit: million yen)

	Current Term FY3/19	Coming Term FY3/20	% YoY Change
Revenue	162,811	183,000	12.4
Operating Profit	14,567	15,700	7.8
Ordinary Profit	14,321	15,400	7.5
Profit Attributable to Owners of the Company	9,567	10,200	6.6

With regard to the future outlook, although employment conditions are expected to improve, we also predict that conditions will remain uncertain given the consumption tax hike scheduled for October 2019 and trends in overseas economies. Furthermore, in the medium term, reflecting the increase in visitors in conjunction with the Tokyo 2020 Olympic and Paralympic Games, it is expected that there will be significant environmental changes, including soaring construction costs and personnel shortages, etc.

In the dormitory business, the occupancy rate at the beginning of FY 3/20 increased 1.0pp year on year to 98.7% and we expect solid growth in dormitory business for both students and employees. We will continuously make an effort to respond flexibly to the greater diversification of residents and their needs, while maintaining a stable growth by optimizing costs.

In the Dormy Inn (business hotel) business, we plan to open a total of eight facilities: the “Dormy Inn Maebashi,” “Dormy Inn Fukui,” “Dormy Inn Morioka,” “Onyado Nono Aasakusa,” “Dormy Inn Kawasaki,” “LA VISTA Furano Hills,” “Dormy Inn Mito,” and “Onyado Nono Kanazawa” (tentative names). In the resort business, we plan to open a total of three facilities, namely “Echigoyuzawa Onsen Yukemuri no Yado Yuki no Hana,” “Toji no Sato Akinomiya Inazumi Onsen” and “Kotohira Onsen Hatago Shikishimakan” (tentative names). We intend to accelerate development of hotels to achieve the medium-term management plan. We will also steadily hire staff for these new facilities.

In the commissioned services business, we 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, we will develop products and services with high levels of customer satisfaction, and implement strict management of variable expenses.

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

In the other business segment, we will focus on developing the best business model as soon as possible to strengthen the Senior Life business and the Public Kyoritsu Partnership (PKP) with a potential for becoming one of our core businesses and realize higher levels of profitability.

As a consequence of the above, we expect

- Revenue in FY3/20 to be ¥183,000 million, an increase of 12.4% from the prior year
- Operating profit in FY3/20 to be ¥15,700 million, an increase of +7.8% from the prior year
- Ordinary profit in FY3/20 to be ¥15,400 million, an increase of +7.5% from the prior year
- Profit attributable to owners of the Company in FY3/20 to be ¥10,200 million, an increase of 6.6%, respectively.

The profit growth in FY3/20 forecast is slower than prior year because we expect additional expenses of around +¥1,450 million higher than in FY3/19 to be booked in FY3/20. These expenses are as follows;

- Opening expense of around +¥450 million higher than in FY3/19 due to the development facilities to establish a solid business foundation for accelerated growth at a final phase of the medium-term management plan
- Huge renewal expense of around +¥800 million higher than in FY3/19 for further customer satisfaction improvement
- System modification fee of around +¥200 million higher than in FY3/19 for further customer satisfaction improvement

All forecasts above mentioned 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.

(5) Earnings Allocation Policy and Dividends for FY3/19 and FY3/20

We see the obtained capital from equity market as a mandate from our shareholders to be invaluable and focus on the return to shareholders in line with our earnings performance as one of the most significant measures for us. 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%. In this fiscal year of FY3/19, we project to pay ¥25 in year-end dividend per share for a total of ¥45 in annual dividend per share, an increase of ¥5 per share or 12.5% from the prior year. In the next fiscal year of FY3/20, we expect to increase dividend per share by ¥2 to ¥47. We make it a goal to achieve more than 20% of dividend payout ratio in FY3/22, the last year of FY3/18-FY3/22 mid-term management plan. We continue to make an effort to maintain a stable level of dividends while also further pursuing flexible ways in return to shareholders. At the same time, we also seek to retain an internal reserve required to implement far-sighted management politics in a timely manner such as capital investment addressed the change business environment and running start-up businesses.

2. Basic Approach to the Selection of Accounting Standards

We plan to apply Japanese Generally Accepted Accounting Principles (JGAAP) for the time being in consideration of the comparability of our historical financial data by period and the earnings performance among companies.

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

As of IFRS adoption, we will make a decision appropriately about whether we should adopt it or not in consideration of changes in situations of both at home and abroad.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Unit: million yen)

	FY3/18 (March 31, 2018)	FY3/19 (March 31, 2019)
Assets		
Current assets		
Cash and deposits	17,298	16,643
Notes and accounts receivable – trade	10,603	9,273
Real estate for sale	217	288
Real estate for sale in process	2,652	6,815
Costs on uncompleted construction contracts	360	297
Others excluding allowance for loan losses	7,247	7,763
Allowance for loan losses	(26)	(25)
Total current assets	38,353	41,056
Non-current assets		
Property, plant and equipment		
Buildings and structures	69,763	73,486
Accumulated depreciation	(27,069)	(30,075)
Buildings and structures, net	42,694	43,411
Land	40,846	44,598
Construction in progress	16,335	17,615
Others	12,179	13,497
Accumulated depreciation	(9,091)	(10,132)
Others, net	3,087	3,365
Total property, plant and equipment	102,964	108,991
Intangible assets		
	4,012	3,236
Investments and other assets		
Investment securities	5,093	5,126
Long-term loans receivable	346	610
Guarantee deposits	16,054	16,462
Lease deposits	13,516	14,981
Deferred tax assets	2,455	2,765
Others excluding allowance for doubtful accounts	7,773	8,825
Allowance for doubtful accounts	(203)	(202)
Total investments and other assets	45,036	48,569
Total non-current assets	152,013	160,796
Deferred assets		
Bond issuance cost	562	678
Total deferred assets	562	678
Total assets	190,929	202,531

Kyoritsu Maintenance (9616)
Consolidated Financial Statements for Fiscal Year Ended March 31, 2019

(Unit: million yen)

	FY3/18 (March 31, 2018)	FY3/19 (March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	7,998	6,788
Short-term loans payable	12,915	10,420
Current portion of bonds	4,638	5,730
Income taxes payable	2,597	2,985
Advances received	11,191	11,336
Provision for bonuses	2,071	2,359
Provision for directors' bonuses	388	495
Provision for warranties for completed construction	9	9
Provision for point card certificates	3	3
Others	10,472	9,910
Total current liabilities	52,287	50,040
Non-current liabilities		
Bonds payable	32,230	39,100
Convertible bond-type bonds with subscription rights to shares	20,000	19,995
Long-term loans payable	8,662	7,707
Long-term guarantee deposited	3,354	3,483
Deferred tax liabilities	368	332
Net defined benefit liability	1,089	1,083
Director retirement benefit reserve	269	271
Provision for point card certificates	5	6
Asset retirement obligations	400	534
Others	421	406
Total non-current liabilities	66,802	72,921
Total liabilities	119,090	122,961
Net assets		
Shareholders' equity		
Capital stock	7,949	7,960
Capital surplus	12,805	12,816
Retained earnings	51,270	59,186
Treasury shares	(336)	(349)
Total shareholders' equity	71,690	79,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	515	367
Foreign currency translation adjustment	(378)	(422)
Remeasurements of defined benefit plans	12	11
Total accumulated other comprehensive income	149	(43)
Total net assets	71,839	79,570
Total liabilities and net assets	190,929	202,531

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

(Unit: million yen)

	FY3/18 (April 1, 2017 to March 31, 2018)	FY3/19 (April 1, 2018 to March 31, 2019)
Revenue	152,021	162,811
Cost of sales	118,214	125,229
Gross profit	33,806	37,581
Selling, general and administrative expenses		
Salaries, allowances and bonuses	4,693	4,719
Welfare expenses	946	995
Provision for bonuses	635	721
Provision for directors' bonuses	388	495
Retirement benefit expenses	77	85
Director retirement reserve provisions	1	1
Promotion expenses	1,912	2,087
Commission fee	7,222	8,398
Provision of allowance for doubtful accounts	7	4
Provision for point card certificates	(32)	6
Business consignment expenses	1,448	1,528
Rent expenses	585	801
Depreciation	215	275
Others	2,616	2,892
Total selling, general and administrative expense	20,719	23,014
Operating profit	13,087	14,567
Non-operating profit		
Interest income	107	72
Dividend income	100	107
Deposit redemption income	120	105
Others	292	178
Total non-operating profit	621	463
Non-operating expenses		
Interest expenses	495	394
Amortization of bond issuance cost	48	74
Commission fee	98	90
Others	138	150
Total non-operating expenses	781	709
Ordinary profit	12,928	14,321

Kyoritsu Maintenance (9616)
Consolidated Financial Statements for Fiscal Year Ended March 31, 2019

(Unit: million yen)

	FY3/18 (April 1, 2017 to March 31, 2018)	FY3/19 (April 1, 2018 to March 31, 2019)
Extraordinary profit		
Gain on sales of non-current assets	198	—
Gain on sales of investment securities	698	18
Others	25	—
Total extraordinary profit	923	18
Extraordinary losses		
Impairment loss	477	50
Loss on retirement of non-current assets	113	—
Dismantlement costs	115	—
Loss on disaster	—	23
Cancellation penalty	—	35
Others	71	3
Total extraordinary losses	777	112
Income before income taxes	13,073	14,227
Income taxes – current	4,421	4,939
Income taxes – deferred	(126)	(278)
Total income taxes	4,295	4,660
Net profit	8,778	9,567
Profit attributable to owners of the Company	8,778	9,567

(Consolidated Comprehensive Income Statements)

(Unit: million yen)

	FY3/18 (April 1, 2017 to March 31, 2018)	FY3/19 (April 1, 2018 to March 31, 2019)
Net profit	8,778	9,567
Other comprehensive income		
Valuation difference on available-for-sale securities	(318)	(148)
Foreign currency translation adjustment	(22)	(43)
Remeasurements of defined benefit plans	(0)	(0)
Total other comprehensive income	(342)	(192)
Comprehensive income	8,436	9,374
(Details)		
Comprehensive income attributable to owners of the Company	8,436	9,374

(3) Consolidated Statements of Shareholders' Equity
Consolidated Figures for the Fiscal Year Ended March 2018 (April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	7,703	12,558	43,888	(321)	63,829
Increase (decrease) during current fiscal year					
Issuance of new shares (exercise of subscription rights to shares)	246	246			493
Dividends from surplus			(1,396)		(1,396)
Profit attributable to owners of the Company			8,778		8,778
Increase (decrease) due to merger of non-consolidated subsidiary by a consolidated subsidiary					—
Acquisition of treasury stock				(14)	(14)
Sales of treasury stock		0		0	0
Items other than shareholders' equity (net)					
Total change during current fiscal year	246	246	7,382	(14)	7,861
Balance as of end of current fiscal year	7,949	12,805	51,270	(336)	71,690

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Cumulative translation adjustments	Retirement benefit-related adjustments	Total accumulated other comprehensive income	
Balance as of start of current fiscal year	834	(356)	13	491	64,320
Increase (decrease) during current fiscal year					
Issuance of new shares (exercise of subscription rights to shares)					493
Dividends from surplus					(1,396)
Profit attributable to owners of the Company					8,778
Increase (decrease) due to merger of non-consolidated subsidiary by a consolidated subsidiary					—
Acquisition of treasury stock					(14)
Sales of treasury stock					0
Items other than shareholders' equity (net)	(318)	(22)	(0)	(342)	(342)
Total change during current fiscal year	(318)	(22)	(0)	(342)	7,518
Balance as of end of current fiscal year	515	(378)	12	149	71,839

Kyoritsu Maintenance (9616)
Consolidated Financial Statements for Fiscal Year Ended March 31, 2019

Consolidated Figures for the Fiscal Year Ended March 2019 (April 1, 2018 to March 31, 2019)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	7,949	12,805	51,270	(336)	71,690
Increase (decrease) during current fiscal year					
Issuance of new shares (exercise of subscription rights to shares)	10	10			21
Dividends from surplus			(1,637)		(1,637)
Profit attributable to owners of the Company			9,567		9,567
Increase (decrease) due to merger of non-consolidated subsidiary by a consolidated subsidiary			(14)		(14)
Acquisition of treasury stock				(13)	(13)
Sales of treasury stock		0		0	0
Items other than shareholders' equity (net)					
Total change during current fiscal year	10	10	7,915	(13)	7,923
Balance as of end of current fiscal year	7,960	12,816	59,186	(349)	79,613

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on other securities	Cumulative translation adjustments	Retirement benefit-related adjustments	Total accumulated other comprehensive income	
Balance as of start of current fiscal year	515	(378)	12	149	71,839
Increase (decrease) during current fiscal year					
Issuance of new shares (exercise of subscription rights to shares)					21
Dividends from surplus					(1,637)
Profit attributable to owners of the Company					9,567
Increase (decrease) due to merger of non-consolidated subsidiary by a consolidated subsidiary					(14)
Acquisition of treasury stock					(13)
Sales of treasury stock					0
Items other than shareholders' equity (net)	(148)	(43)	(0)	(192)	(192)
Total change during current fiscal year	(148)	(43)	(0)	(192)	7,730
Balance as of end of current fiscal year	367	(422)	11	(43)	79,570

(4) Consolidated Statement of Cash Flow

(Unit: million yen)

	FY3/18 (April 1, 2017 to March 31, 2018)	FY3/19 (April 1, 2018 to March 31, 2019)
Cash flow from operating activities		
Profit before income taxes	13,073	14,227
Depreciation	4,429	4,759
Amortization of long-term prepaid expenses	414	324
Amortization of guarantee deposits	250	283
Increase (decrease) in provision for bonuses	242	288
Interest and dividend income	(208)	(179)
Interest expenses	495	394
Impairment loss	477	50
Loss (gain) on sales of property, plant and equipment	(84)	—
Dismantlement costs	115	—
Loss on disaster	—	23
Cancellation penalty	—	35
Loss (gain) on sales of investment securities	(698)	(18)
Decrease (increase) in notes and accounts receivable – trade	(1,960)	1,327
Decrease (increase) in inventories	(446)	306
Increase (decrease) in notes and accounts payable – trade	1,768	(1,213)
Increase (decrease) in accrued expenses	(293)	450
Increase (decrease) in advances received	(103)	146
Increase (decrease) in accounts payable – other	(164)	156
Increase (decrease) in accrued consumption taxes	(135)	470
Increase (decrease) in deposits received	195	169
Increase (decrease) in guarantee deposits received	285	160
Others	(343)	718
Subtotal	17,307	22,883
Interest and dividend income received	146	111
Interest expenses paid	(499)	(396)
Income taxes refund	6	0
Income taxes paid	(3,932)	(4,634)
Cash flow from operating activities	13,029	17,963
Cash flow from investing activities		
Purchase of securities	(1,382)	(275)
Proceeds from sales of securities	1,501	49
Purchase of property, plant and equipment	(19,711)	(16,596)
Proceeds from sales of property, plant and equipment	8,847	2
Purchase of intangible assets	(1,192)	(284)
Purchase of long-term prepaid expenses	(242)	(224)
Payments of loans receivable	(1,383)	(729)
Collection of loans receivable	1,323	304
Payments for lease and guarantee deposits	(4,028)	(2,555)
Proceeds from collection of lease and guarantee deposits	224	133
Purchase of insurance funds	(1,023)	(1,006)
Proceeds from cancellation of insurance funds	52	2
Others	339	(295)
Cash flow from investing activities	(16,676)	(21,474)

Kyoritsu Maintenance (9616)
Consolidated Financial Statements for Fiscal Year Ended March 31, 2019

(Unit: million yen)

	FY3/18 (April 1, 2017 to March 31, 2018)	FY3/19 (April 1, 2018 to March 31, 2019)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	(2,550)	1,096
Proceeds from long-term loans payable	3,800	2,300
Repayments of long-term loans payable	(8,912)	(6,879)
Proceeds from issuance of bonds	17,879	12,409
Redemption of bonds	(2,950)	(4,623)
Purchase of treasury shares	(14)	(13)
Cash dividends paid	(1,394)	(1,633)
Others	(53)	(49)
Cash flow from financing activities	5,804	2,606
Effect of exchange rate change on cash and cash equivalents	(38)	(6)
Net increase (decrease) in cash and cash equivalents	2,118	(911)
Cash and cash equivalents at beginning of period	14,853	16,972
Increase in cash and cash equivalents resulting from merger	—	9
Cash and cash equivalents at end of period	16,972	16,070

(5) Notes to Consolidated Financial Statements
(Notes Regarding Assumptions of a Going Concern)
No events to be noted for this purpose

(Scope of Consolidation)

1) Consolidated subsidiaries: 9 Companies

Kyoritsu Estate Co., Ltd.
Kyoritsu Trust Co., Ltd.
Kyoritsu Insurance Service 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.

2) Non-Consolidated Subsidiaries: 6 Companies

Kyoritsu Assist Co., Ltd.
Ryokan Okunobo Co., Ltd.
Kyoritsu Maintenance Taiwan Co., Ltd.
Kyoritsu Maintenance (Thailand) Co., Ltd.
Kyoritsu Maintenance Vietnam Co., Ltd.
Kyoritsu Maintenance Sriracha Co., Ltd.

(Reason for the exclusion from scope of consolidation)

The assets, revenue and net profit 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. BOD assesses this information on a regularly basis to give a performance evaluation and make a decision to allocate business resources.

Our divisions and subsidiaries are responsible for the various services within Kyoritsu group. They are also responsible for developing both strategies and business activities for their respective businesses.

Therefore, our business segments are defined by the basic services provided by each of the divisions and subsidiaries and are divided into five main segments including "Dormitory business", "Hotel business", "Comprehensive building management business", "Food service business" and "Development business".

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

Dormitory business: Management and maintenance of dormitories for students and employees, Domeal and delegated dormitories from universities etc.

Hotel business: Dormy Inn business hotels, resort hotels

Comprehensive building management business: Management of Office building and residential property

Food service business: Restaurant business and delegated business of cafeterias, hotel restaurants etc.

Development business: Planning, design and construction, real estate brokerage business, condominiums for sale, Real estate securitization and other development facilities related services

2) Calculation method for revenue, profit and loss, assets, and other COAs by reported segment

Profits in the reported business segments are based on operating profit.

The amount of intersegment earnings and transfers are based on actual market value.

3) Revenue, Profit and Loss, Assets, and Other COAs by reporting segment
Consolidated Figures for the Fiscal Year Ended March 2018 (April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Reporting Segments						Others (Note 1)	Total	Adjustments (Note 2)	The amount to be booked in Consolidated Financial Statements (Note 3)
	Dormitory business	Hotel business	Comprehensive building management business	Food business	Development business	Subtotal				
Revenue										
External revenue	46,760	69,984	7,846	1,437	14,631	140,659	11,361	152,021	—	152,021
Intersegment earnings and transfers	292	175	7,031	5,294	7,819	20,613	483	21,097	(21,097)	—
Total	47,052	70,160	14,877	6,732	22,450	161,273	11,845	173,118	(21,097)	152,021
Profit and loss	7,579	7,155	504	158	1,117	16,515	(290)	16,224	(3,137)	13,087
Assets	48,415	100,158	12,499	1,427	14,797	177,297	8,467	185,765	5,164	190,929
Other COAs										
Depreciation	1,104	3,177	67	19	44	4,414	97	4,511	(81)	4,429
Impairment loss	14	448	—	11	—	474	3	477	—	477
Increase (decrease) in tangible assets and intangible assets	1,841	18,550	608	78	0	21,080	59	21,139	244	21,384

(Notes)

- “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.
- Details of “adjustments” are as follows;

(Unit: million yen)

Segment Income	
Intersegment transaction cancellations	(276)
Corporate expenses (Note)	(2,861)
Total	(3,137)

(Note) Corporate expenses represent the ones associated primarily with finance and accounting etc.

(Unit: million yen)

Segment Assets	
Elimination of intersegment transaction	(9,444)
Corporate assets (Note)	14,609
Total	5,164

(Note) Corporate assets represent cash and deposits, investment securities, assets associated with headquarters and deferred tax assets.

- Segment profit (loss) has been adjusted to operating profit described in the consolidated financial statements of income.

Kyoritsu Maintenance (9616)
Consolidated Financial Statements for Fiscal Year Ended March 31, 2019

Consolidated Figures for the Fiscal Year Ended March 2019 (April 1, 2018 to March 31, 2019)

(Unit: million yen)

	Reporting Segments						Others (Note 1)	Total	Adjustments (Note 2)	The amount to be booked in Consolidated Financial Statements (Note 3)
	Dormitory business	Hotel business	Comprehensive building management business	Food business	Development business	Subtotal				
Revenue										
External revenue	48,593	78,182	7,613	1,306	15,229	150,926	11,885	162,811	—	162,811
Intersegment earnings and transfers	342	159	7,910	5,691	622	14,726	516	15,243	(15,243)	—
Total	48,936	78,342	15,524	6,998	15,851	165,653	12,402	178,055	(15,243)	162,811
Profit and loss	7,807	8,219	296	95	1,906	18,325	(125)	18,199	(3,632)	14,567
Assets	50,542	107,584	12,457	1,542	17,287	189,414	9,203	198,617	3,914	202,531
Other COAs										
Depreciation	1,141	3,460	62	21	40	4,726	100	4,826	(66)	4,759
Impairment loss	41	1	—	2	—	44	5	50	—	50
Increase (decrease) in tangible assets and intangible assets	3,012	14,998	52	38	130	18,232	25	18,258	(776)	17,481

(Notes)

- “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.
- Details of “adjustments” are as follows;

(Unit: million yen)

Segment profit	
Elimination of intersegment transaction	(136)
Companywide expenses (Note)	(3,495)
Total	(3,632)

(Note) Corporate expenses represent the ones associated primarily with finance and accounting etc.

(Unit: million yen)

Segment Assets	
Elimination of intersegment transaction	(11,190)
Corporate assets (Note)	15,104
Total	3,914

(Note) Corporate assets represent cash and deposits, investment securities, assets associated with headquarters and deferred tax assets.

- Segment profit (loss) has been adjusted to operating profit described in the consolidated financial statements of income.