

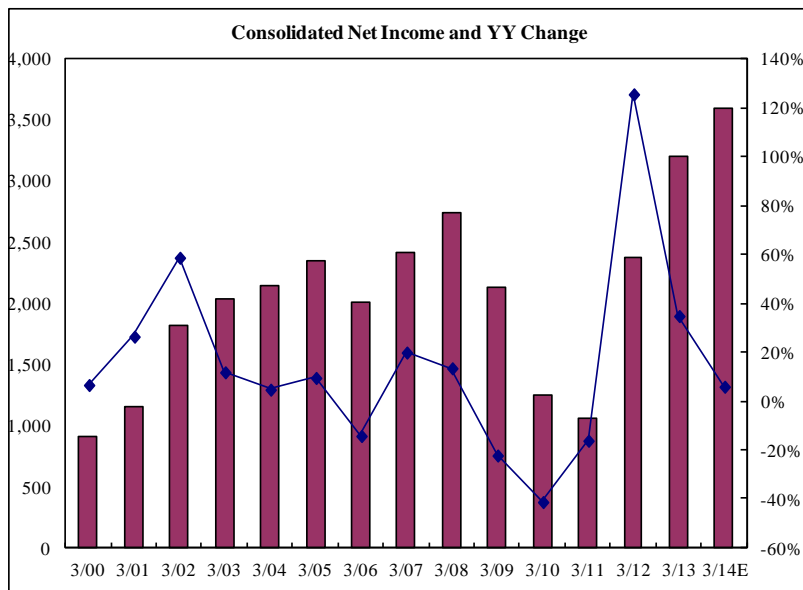
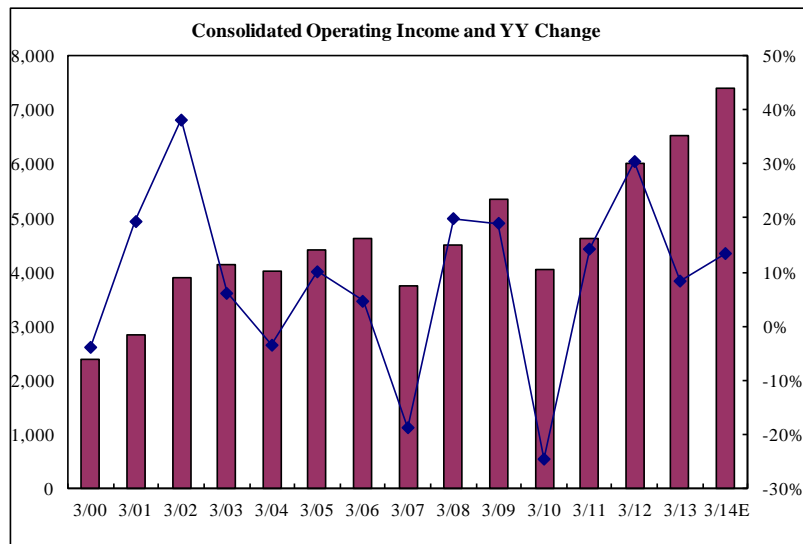
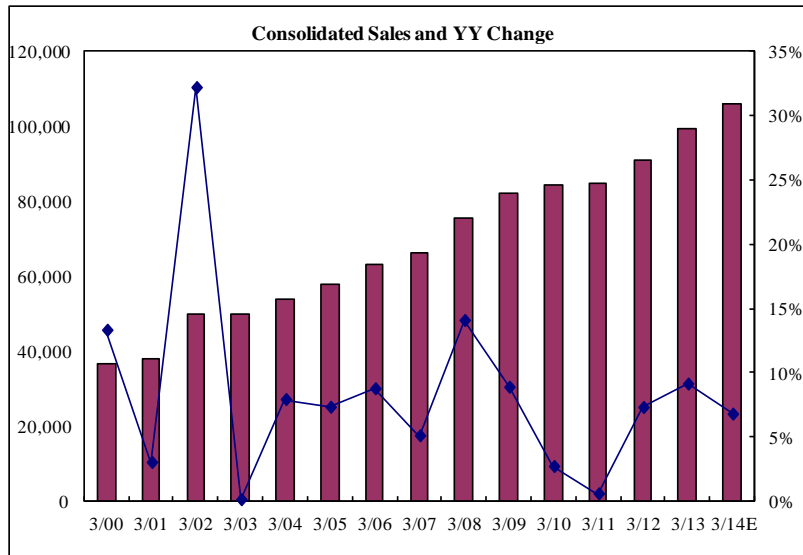


Kyoritsu Maintenance Co., Ltd.
(Securities Code: 9616)

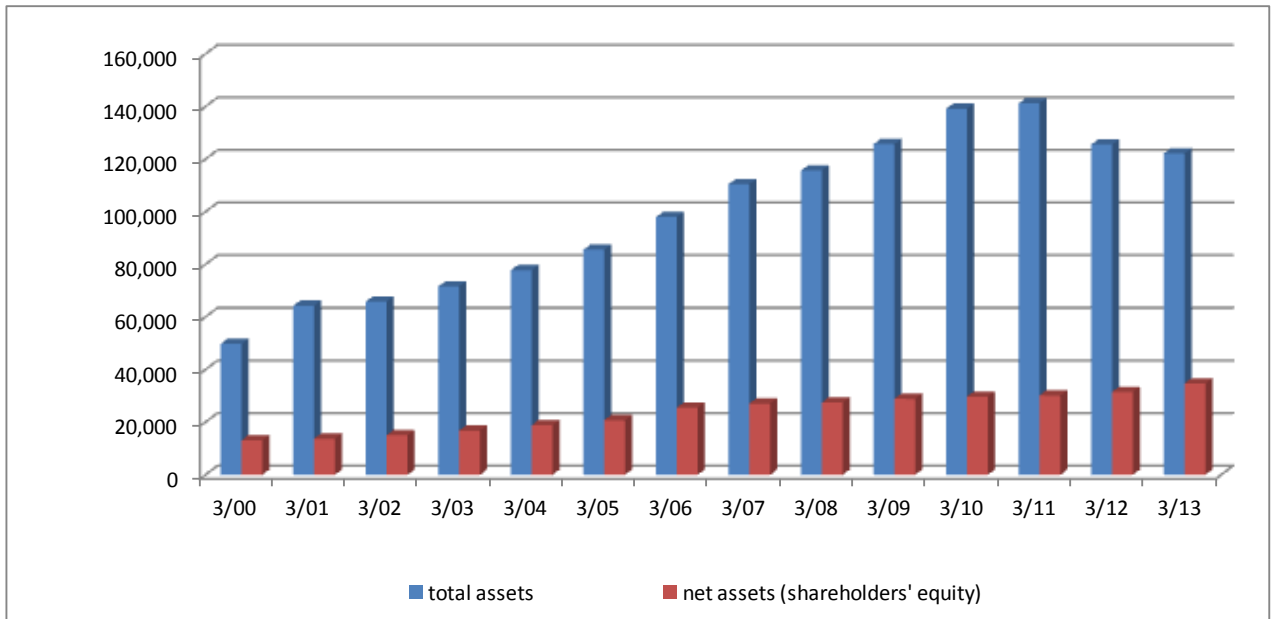
**First Half of Fiscal Year March 2014
Consolidated Earnings Results Update**

November 2013

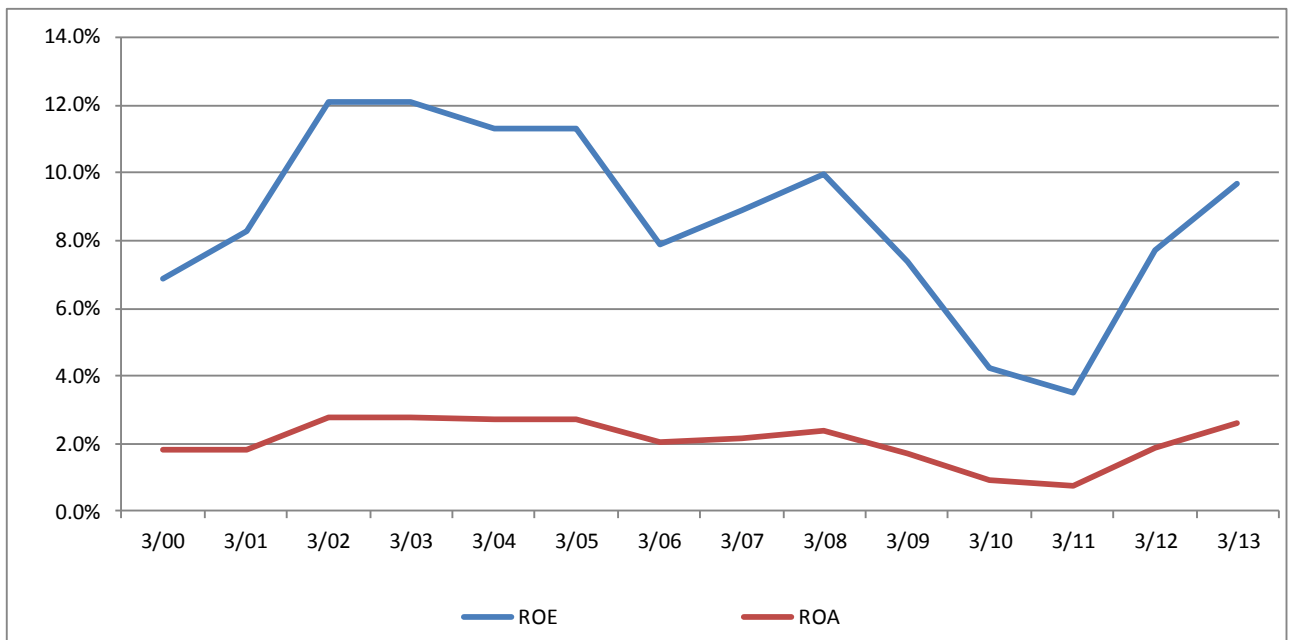
Kyoritsu Maintenance Consolidated Financial Data at a Glance

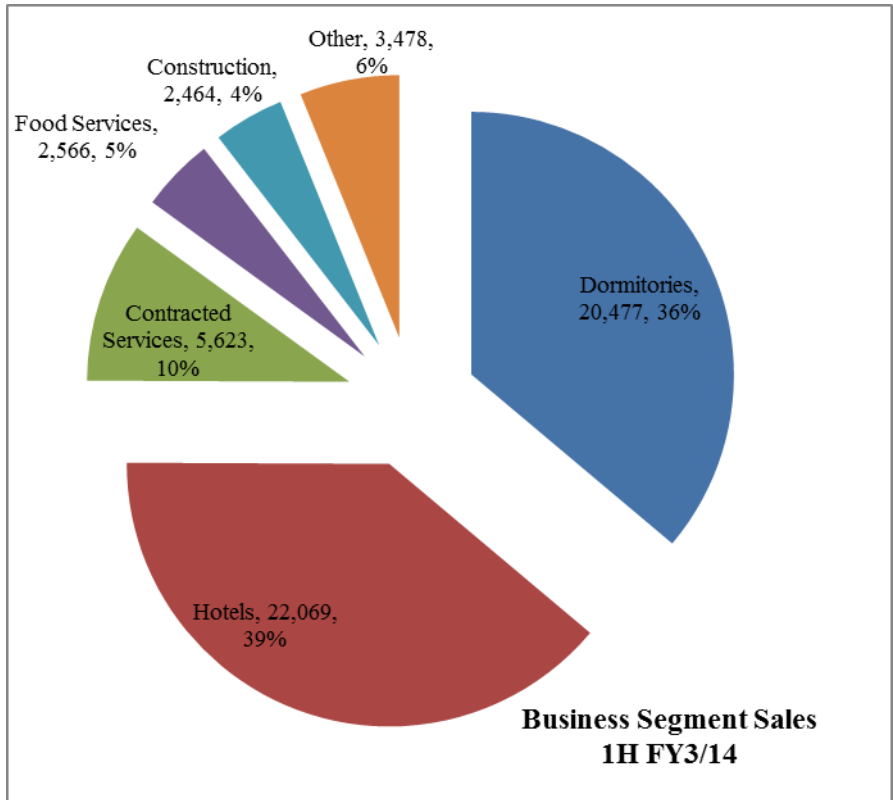
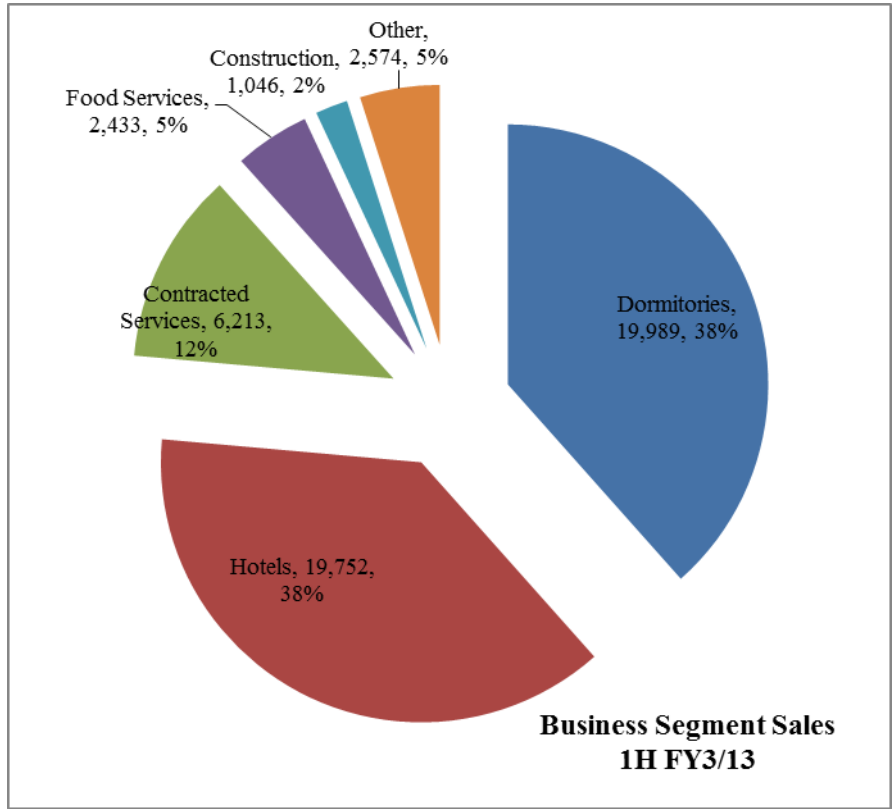


(Units: Million Yen)



(Units: Million Yen)





(Units: Million Yen)

First Half of Fiscal Year March 2014 Consolidated Earnings Announcement

November 8, 2013

Company Name: Kyoritsu Maintenance Co., Ltd.

Tokyo Stock Exchange

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

Director: Mitsutaka Sato, President

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

Quarterly Earnings Announcement Report Filing Date (Anticipated): November 14, 2013

Dividend Payment Date (Anticipated): December 5, 2013

Quarterly Earnings Presentation Document (Anticipated): Available

Quarterly Earnings Presentation Meeting (Anticipated): Available (For institutional investors)

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

1. First Half of Fiscal Year March 2014 Consolidated Earnings (April 1, 2013 to September 30, 2013)

(1) Consolidated Earnings (Aggregated)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H FY3/14	51,624	9.1	4,127	13.0	3,758	23.7	2,190	35.3
1H FY3/13	47,333	8.0	3,653	8.8	3,039	18.5	1,619	41.1

(Note) Comprehensive income: ¥2,279 million (37.6% yy) in 1H FY3/14, ¥1,656 million (49.8% yy) in 1H FY3/13

	EPS	Fully Diluted EPS
	Yen	Yen
1H FY3/14	164.08	—
1H FY3/13	114.75	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value Per Share
	Million yen	Million yen	%	Yen
1H FY3/14	117,468	33,065	28.1	2,536.11
FY3/13	122,259	34,782	28.4	2,465.00

(Note) Capital: ¥33,065 million in 1H FY3/14, ¥34,782 million in FY3/13

2. Dividend Conditions

	Dividends per Share				
	1Q End	2Q End	3Q End	4Q End	Total
	Yen	Yen	Yen	Yen	Yen
FY3/13	—	19.00	—	24.00	43.00
FY3/14	—	21.00	—	—	—
FY3/14 Projected	—	—	—	22.00	43.00

(Note) Recent changes in dividend projections: None

3. Fiscal Year March 2014 Consolidated Earnings Estimates (April 1, 2013 to March 31, 2014)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	106,200	6.8	7,400	13.5	6,600	17.9	3,600	12.3	276.11

(Note) Recent changes in earnings estimates: Applicable

Notes

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

Shares issued (Common stock)

Shares issued as of term end (including treasury stock):

Treasury stock as of term end:

Average during the term:

1H FY3/14	15,125,582	FY3/13	15,125,582
1H FY3/14	2,087,536	FY3/13	1,014,894
1H FY3/14	13,348,931	1H FY3/13	14,111,629

* Information Regarding Quarterly Review Practices:

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

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

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

With regards to qualitative information regarding our quarterly earnings, please refer to the segment of this document “1. Qualitative Information about Quarterly Earnings, (3) Explanation of Our Earnings Estimates and Future Forecasts”.

We provide this information in our quarterly earnings results explanation materials available on our website.

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1. Qualitative Information about Quarterly Earnings

(1) Explanation of Business Performance

During the first half of the current fiscal year, signs of a recovery in the Japanese economy began to appear on the back of the easy monetary policies and other stimulatory measures that contributed to a weakening of the yen and increases in share prices. However, uncertainties including fears of slowing of global economies remained on the horizon.

Against this backdrop, the dormitory business saw a good start to the year with occupancy rates rising above the previous year's levels by 0.5% to at 97.0%. Furthermore, the hotel business also saw favorable trends in both its Dormy Inn (business hotels) and resort hotel businesses with occupancy rates trending above the previous year's levels.

Subsequent to these developments, sales rose by 9.1% year-over-year to ¥51,624 million. And while initial estimates called for declines in profits, operating, ordinary and net incomes rose by large margins of 13.0%, 23.7%, and 35.3% year-over-year to ¥4,127, ¥3,758 and ¥2,190 million respectively to new record highs. Furthermore, the hotel business trended favorably and exceeded initial estimates by a large margin, allowing Kyoritsu Maintenance to revise its full year earnings estimates upwards.

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

Dormitory Business

Our dormitory business saw high occupancy rates, which rose above the previous year's levels by 0.5% points to 97.0% at the start of the term and the number of contracted dormitory residents grew by 1,003 to 30,484 as of the end of September. However, an increase in the number of new residents moving into dormitories early in March contributed to a decline in contract fees received. Consequently sales growth was restrained to 2.4% year-over-year to ¥20,477 million and operating income declined by 8.3% year-over-year to ¥2,564 million due to anticipatory expenses arising from the start of new businesses, higher utility fees, and promotion of planned renovations with a view to our long-term vision. However, this level of profits remained in line with our estimates.

Hotel Business

During the first half of the current fiscal year, the new facility "Natural Hot Spring Chagetsu no Yu Dormy Inn EXPRESS Kakegawa" was opened in the Dormy Inn business. Furthermore, occupancy rates trended favorably and exceeded the previous year's levels on the back of increased recognition of facilities newly opened in the previous term. In the resort hotel business, "Inishie no Yado Ikyu" was newly opened during the first half. Furthermore, overall occupancy rates improved not only during the summer vacation season but throughout the entire first half due to detailed marketing efforts at various facilities. Therefore, sales and operating income rose by large margins of 11.7% and 30.5% year-over-year to ¥22,069 and ¥2,694 million respectively.

Contracted Services Business

In the contracted services business, declines in rental income due to the sale of properties in the previous term and decreases in orders of the construction division were recorded. Consequently, sales declined by 9.5% year-over-year to ¥5,623 million, and operating loss improved by ¥40 million in the same period in the previous term to a loss of ¥20 million.

Food Services Business

Severe operating conditions remained in place in the food services business, but signs of a gradual recovery have begun to appear due to the improvement in consumer spending. Because Gyoda City has filed to dispute the court's ruling on a litigation case with Kyoritsu Maintenance over its hot spring bathing facilities in September, we expect to book the operating expenses of this facility as non-operating expenses from September onwards. Despite these conditions, sales grew by 5.5% year-over-year to ¥2,566 million and operating loss decreased by ¥14 million from the same period in the previous term to ¥51 million.

Construction Business

In the construction business, an increase in comprehensive type orders contributed to an increase in sales. However, construction and other expenses trended at high levels during the term under review. As a result, sales rose by 135.5% year-over-year to ¥2,464 million, and an operating income of ¥25 million was recorded (Compared with an operating loss of ¥9 million in the same term of the previous fiscal year).

Other Business

Our other business segment is comprised of the Wellness Life business (Management of senior citizen housing), the Public Kyoritsu Partnership business (PKP: Consigned services business, which regional government bodies consign to us and the services are provided to residents by us), single life support business and insurance agency business, comprehensive human resource services business, and financing and administrative outsourcing services. Sales of this business rose by 35.1% year-over-year to ¥3,478 million, while the operating loss improved by ¥42 million from the previous term to ¥110 million.

(2) Explanation of Financial Position

Assets, Liabilities, Net Assets Conditions

(Assets)

Total consolidated assets declined by ¥4,791 million from the end of the previous fiscal year to ¥117,468 million at the end of the current first half. One of the main factors behind this decline was a contraction in cash and equivalents.

(Liabilities)

Over the same period, total liabilities also fell by ¥3,074 to ¥84,402 million due primarily to declines in prepayments received.

(Net Assets)

Net assets declined by ¥1,716 million from the end of the previous fiscal year to ¥33,065 million at the end of the current first half due primarily to the acquisition of treasury stocks. Consequently, net asset ratio declined by 0.3% points from the end of the previous fiscal year to 28.1% at the end of the current first quarter.

Cash Flow Conditions

At the end of the first half of the current fiscal year, cash and equivalents declined by ¥4,378 million from the end of the previous fiscal year to ¥12,286 million.

(Operating Cash Flow)

The net outflow from operating activities declined by ¥1,511 million from the same period in the previous term to ¥1,208 million due in part to declines in accounts receivables and payables.

(Investing Cash Flow)

The net outflow from investing activities increased by ¥1,928 million from the same period in the previous year to ¥2,913 million on the back of acquisition of tangible fixed assets and sale of marketable securities.

(Financing Cash Flow)

The net outflow from financing activities declined by ¥2,163 million from the same period in the previous term to ¥367 million in the current first half due to acquisition of treasury stock and assumption of long term debt.

(3) Explanation of Consolidated Earnings Estimates and Future Forecasts

With regards to our consolidated earnings estimates for the fiscal year March 2014, Kyoritsu Maintenance expects the much stronger than expected trends in its hotel business (Dormy Inn, resort hotels) to remain in place throughout the remainder of the fiscal year. Consequently, we expect our earnings to exceed initial estimates despite costs arising from implementation of refurbishment of hotel facilities with a view to our future growth and have therefore decided to revise our full year earnings estimates upwards. While the hotel business is expected to see higher than expected sales, the PKP business is expected to fall shy of estimates. Therefore we have decided to maintain our outstanding sales estimates.

Our actual results may differ from our projections due to various unforeseen reasons.

2. Summary Information (Notes)

(1) Changes in Important Consolidated Subsidiaries during the Quarter

Not applicable

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

(Calculation of tax expense)

With regards to taxes, a rational estimate of the effective tax rate has been used to calculate the tax effect accounting for net income before taxes during the second quarter, and this rate has been applied to net income before taxes. However, in the event that the actual tax rate used in the calculation of our tax expense lacks justification, the legally determined effective tax rate method will be used.

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

Not applicable

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheet

(Units: Million Yen)

	FY3/13 (March 31, 2013)	1H FY3/14 (September 30, 2013)
Assets		
Current Assets		
Cash and equivalents	17,622	13,244
Notes, accounts receivable	6,480	4,633
Real estate for sale	302	126
Uncompleted real estate for sale	914	1,494
Uncompleted construction payment	14	96
Others	5,551	5,486
Doubtful account reserves	-32	-29
Total current assets	30,852	25,052
Fixed assets		
Tangible fixed assets		
Buildings, structures	29,276	30,911
Land	24,426	24,656
Others	4,629	3,235
Total tangible fixed assets	58,332	58,803
Intangible fixed assets	1,950	1,914
Investments, other assets		
Investment securities	5,818	5,578
Security deposits	10,745	11,016
Deposits	9,063	9,253
Others	5,632	5,989
Doubtful account reserves	-207	-205
Total investments, other assets	31,052	31,631
Total fixed assets	91,335	92,349
Deferred assets	71	66
Total assets	122,259	117,468

(Units: Million Yen)

	FY3/13 (March 31, 2013)	1H FY3/14 (September 30, 2013)
Liabilities		
Current liabilities		
Notes, accounts payable	4,174	2,913
Short term debt	14,074	20,194
Bond, portion redeemable within 1 year	1,150	1,150
Unpaid taxes	1,528	1,513
Prepayments received	10,880	7,616
Bonus reserves	1,029	714
Director bonus reserves	232	126
Completed construction guarantee reserves	11	11
Others	5,811	4,225
Total current liabilities	38,892	38,467
Fixed liabilities		
Bonds	7,450	6,875
Long term debt	34,976	33,091
Retirement benefit reserve	1,201	1,242
Director retirement benefit reserve	309	310
Point reserve	—	6
Others	4,647	4,409
Total fixed liabilities	48,584	45,935
Total liabilities	87,476	84,402
Net assets		
Shareholders' equity		
Capital	5,136	5,136
Capital reserve	5,943	5,943
Retained earnings	25,675	27,527
Treasury stock	-1,811	-5,469
Total shareholders' equity	34,943	33,137
Other comprehensive income, aggregated		
Other marketable security valuation gain	-198	-143
Foreign exchange adjustment account	37	72
Total comprehensive income, aggregated	-160	-71
Total net assets	34,782	33,065
Total liabilities and net assets	122,259	117,468

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

(Units: Million Yen)

	1H FY3/13 (April 1, 2012 to September 30, 2012)	1H FY3/14 (April 1, 2013 to September 30, 2013)
Sales	47,333	51,624
Cost of sales	37,230	40,669
Gross income	10,103	10,955
Sales, general and administrative expense	6,450	6,828
Operating income	3,653	4,127
Non-operating income		
Interest income	42	50
Dividend income	18	23
Marketable securities sale	63	69
Foreign exchange translation gains	0	116
Others	59	65
Total non-operating income	184	325
Non-operating expense		
Interest payment	642	542
Others	155	151
Total non-operating expense	798	694
Ordinary income	3,039	3,758
Extraordinary income		
Fixed asset liquidation	236	—
Others	12	—
Total extraordinary income	249	—
Extraordinary loss		
Impairment loss	87	—
Marketable security valuation loss	198	—
Dismantlement expense	—	13
Others	11	—
Total extraordinary loss	297	13
Net income before taxes	2,991	3,744
Taxes	1,372	1,554
Net income before adjustment for minority interests in income	1,619	2,190
Net income	1,619	2,190

Quarterly Consolidated Comprehensive Income Statements
Consolidated First Half

(Units: Million Yen)

	1H FY3/13 (April 1, 2012 to September 30, 2012)	1H FY3/14 (April 1, 2013 to September 30, 2013)
Net income before adjustment for minority interests in income	1,619	2,190
Other comprehensive income		
Other marketable securities valuation gains	37	54
Foreign exchange adjustment account	—	34
Total other comprehensive income	37	89
Quarterly comprehensive income	1,656	2,279
(Details)		
Quarterly comprehensive income of parent company shareholders	1,656	2,279
Quarterly comprehensive income of minority shareholdings	—	—

(3) Quarterly Consolidated Cash Flow Statements

(Units: Million Yen)

	1H FY3/13 (April 1, 2012 to September 30, 2012)	1H FY3/14 (April 1, 2013 to September 30, 2013)
Cash flow from operating activities		
Net income before taxes	2,991	3,744
Depreciation, amortization	1,462	1,375
Amortization of long term prepayments	83	70
Amortization of security deposits	100	105
Change in bonus reserves	-217	-314
Interest, dividends received	-61	-74
Interest paid	642	542
Fixed asset disposal income	-232	3
Change in account receivables	-188	1,847
Change in outstanding income	488	563
Change in inventories	-938	-469
Change in payables	-915	-1,641
Change in unpaid expenses	84	-308
Change in prepayments received	-3,158	-3,264
Change in unpaid consumption tax	48	-397
Change in deposits	-700	-787
Change in security deposits	-362	-88
Change in advanced revenues	-71	-71
Others	370	78
Subtotal	-575	913
Interest, dividends received	40	19
Interest payment	-643	-549
Corporate, other tax refunds	3	0
Corporate, other tax payment	-1,544	-1,591
Cash flow from operating activities	-2,719	-1,208
Cash flow from investing activities		
Acquisition of marketable securities	-10	—
Sale of marketable securities	266	390
Acquisition of tangible fixed assets	-1,432	-2,215
Sale of tangible fixed assets	1,219	0
Acquisition of intangible fixed assets	-60	-33
Loans extended	-132	-220
Loans extended recovered	150	145
Deposits, security deposits payments	-909	-589
Return of deposits, security deposits	71	43
Insurance reserve fund establishment	-291	-416
Redemption of insurance policy	161	38
Others	-16	-57
Cash flow from investing activities	-984	-2,913

(Units: Million Yen)

	1H FY3/13 (April 1, 2012 to September 30, 2012)	1H FY3/14 (April 1, 2013 to September 30, 2013)
Cash flow from financing activities		
Change in short term debt	3,140	4,600
Assumption of new long term debt	—	3,600
Repayment of long term debt	-4,600	-3,964
Redemption of bonds issued	-760	-575
Treasury stock acquisition	0	-3,658
Dividend payment	-266	-336
Others	-43	-33
Cash flow from financing activities	-2,530	-367
Cash and equivalent translation gains	—	110
Net change in cash and equivalents	-6,235	-4,378
Cash and equivalents at term start	16,384	16,665
Cash and equivalents at term end	10,149	12,286

(4) Quarterly Consolidated Financial Statement Notes

Notes Regarding Going Concern Assumptions

Not applicable

(Notes Regarding Significant changes in Shareholders' Equity)

Kyoritsu Maintenance acquired treasury stock in line with resolution to acquire treasury stock passed during the board of directors' meeting held on May 20, 2013. The acquisition of treasury stock and odd lot shares contributed to a ¥3,657 million increase in treasury shares during the second quarter to a total of ¥5,469 million.

(Segment Information)

Segment Information

Consolidated Data for First Half of Fiscal Year March 2013 (From April 1, 2012 to September 30, 2012)

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

(Units: Million Yen)

	Reported Segments						Others (Note) 1	Total	Adjustments (Note) 2	Consolidated (Note) 3
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Sub Total				
Sales										
External sales	19,930	19,709	3,760	751	802	44,954	2,379	47,333	—	47,333
Internal sales and transfers	58	42	2,452	1,682	243	4,480	194	4,674	-4,674	—
Total	19,989	19,752	6,213	2,433	1,046	49,434	2,574	52,008	-4,674	47,333
Operating income	2,797	2,065	-61	-66	-8	4,726	-153	4,573	-919	3,653

(Note) 1. Others is not considered as a reported business segment and is comprised of the wellness life (management of senior citizen housing), PKP business (Consigned services business, which regional government bodies consign to us and the services are provided to residents by us), single life support services, insurance agency business, comprehensive human resources, financing services and advertising agency services.

2. Adjustment for segment profit, loss of ¥919 million includes ¥15 million for inter-segment transaction eliminations, and ¥904 million in companywide expenses which cannot be allocated to specific reported segments. Companywide expenses are primarily those expenses arising from the finance and accounting, and management divisions.

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

2. Impairment accounting losses and goodwill amortization by reported segments

Within the food segment, investments made in restaurants that are deemed to be difficult to recover will be reduced to the asset book value deemed to be recoverable for these restaurants, and the amount of devaluation will be booked as an impairment loss at the extraordinary level. Furthermore, the amount of impairment loss booked during the first half of the term was ¥87 million.

Consolidated Data for First Half of Fiscal Year March 2014 (From April 1, 2013 to September 30, 2013)

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

(Units: Million Yen)

	Reported Segments						Others (Note) 1	Total	Adjustments (Note) 2	Consolidated (Note) 3
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Sub Total				
Sales										
External sales	20,403	22,027	3,465	782	1,655	48,334	3,290	51,624	—	51,624
Internal sales and transfers	74	42	2,158	1,784	808	4,867	188	5,055	-5,055	—
Total	20,477	22,069	5,623	2,566	2,464	53,202	3,478	56,680	-5,055	51,624
Operating income	2,564	2,694	-20	-51	25	5,212	-110	5,101	-974	4,127

- (Notes)
1. Other is not considered as a reported business segment and is comprised of the wellness life (management of senior citizen housing), PKP business (Consigned services business, which regional government bodies consign to us and the services are provided to residents by us), single life support services, insurance agency business, comprehensive human resources, financing services and other related services
 2. Adjustment for segment profit, loss of ¥974 million includes ¥2 million for inter-segment transaction eliminations, and ¥976 million in companywide expenses which cannot be allocated to specific reported segments. Companywide expenses are primarily those expenses arising from the finance and accounting, and management divisions.
 3. Segment profits, losses are derived by adjusting the operating income used in the quarterly consolidated income statements.

2. Impairment accounting losses and goodwill amortization by reported segments

None