



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

**Third Quarter of the Fiscal Year Ending March 2019  
Consolidated Earnings Results Update**

**February 2019**



# Third Quarter of the Fiscal Year Ending March 2019 Consolidated Earnings Announcement

February 8, 2019

Company Name: Kyoritsu Maintenance Co., Ltd.

Tokyo Stock Exchange

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

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Quarterly Earnings Announcement Report Filing Date (Anticipated): February 13, 2019

Dividend Payment Date (Anticipated): —

Quarterly Earnings Presentation Document (Anticipated): Yes

Quarterly Earnings Presentation Meeting (Anticipated): None

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

## 1. Third Quarter of the Fiscal Year Ending March 2019 Consolidated Earnings (April 1, 2018 to December 31, 2018)

### (1) Consolidated Earnings (Aggregated)

(% figures show year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q FY3/19	123,886	13.9	12,044	17.9	11,756	17.7	7,973	19.7
3Q FY3/18	108,726	7.5	10,214	5.5	9,985	7.0	6,661	13.9

(Note) Comprehensive income: ¥7,780 million (9.2% YoY) in 3Q FY3/19; ¥7,124 million (21.0% YoY) in 3Q FY3/18

	EPS		Fully Diluted EPS	
	Yen		Yen	
3Q FY3/19	204.52		188.48	
3Q FY3/18	171.56		157.47	

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value Per Share
	Millions of yen	Millions of yen	%	Yen
3Q FY3/19	189,345	77,977	41.2	1,999.88
FY3/18	190,929	71,839	37.6	1,842.79

(Note) Capital: ¥77,977 million in 3Q FY3/19; ¥71,839 million in FY3/18

## 2. Dividend Conditions

	Dividend Per Share				
	1Q-End	2Q-End	3Q-End	4Q-End	Total
	Yen				
FY3/18	—	18.00	—	22.00	40.00
FY3/19	—	20.00			
FY3/19 (Projected)			—	23.00	43.00

(Note) Recent changes in dividend projections: None

## 3. Fiscal Year Ending March 2019 Consolidated Earnings Estimates (April 1, 2018 to March 31, 2019)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		EPS
	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Millions of yen	% (YoY)	Yen
Full Year	164,600	8.3	14,300	9.3	13,900	7.5	9,500	8.2	243.68

(Note) Recent changes in earnings estimates: None

Notes

- (1) Important changes in our subsidiaries, including changes to the scope of our consolidation: None  
(2) Application of special accounting procedures in the preparation of our quarterly consolidated financial statements: Applicable  
(Note) Please refer to “2. Quarterly Consolidated Financial Statements and Important Notes, (3) Quarterly consolidated financial statement notes (Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)” on page 11 for more details.

(3) Changes in accounting policies, changes in accounting estimates, and restatements:

1. Changes accompanying revisions in accounting standards: None  
2. Other changes: None  
3. Changes in accounting estimates: None  
4. Redisplay of revisions: None

(4) Shares Issued (Common Stocks)

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

3Q FY3/19	39,218,330	FY3/18	39,209,238
3Q FY3/19	227,274	FY3/18	225,193
3Q FY3/19	38,985,028	3Q FY3/18	38,832,276

\* Quarterly financial reports are not subject to review by certified public accountants or auditing firms.

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

Forward-looking statements concerning financial forecasts contained in these materials are based on information available to the Company when the forecasts were made and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors. Moreover, for information regarding earnings estimates and the assumptions upon which they are based, and the usages of these earnings estimates, please refer to the section, “1. Qualitative Information about Quarterly Earnings, (3) Explanation of future forecasts including consolidated earnings estimates” on page 6.

(Method for obtaining supplementary explanatory information on financial results)

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

## Index

1. Qualitative Information about Quarterly Earnings	5
(1) Explanation of business performance	5
(2) Explanation of financial position	6
(3) Explanation of future forecasts including consolidated earnings estimates	6
2. Quarterly Consolidated Financial Statements and Important Notes	7
(1) Quarterly consolidated balance sheet	7
(2) Quarterly consolidated income statement and comprehensive income statement	9
Quarterly consolidated income statement	
Consolidated third quarter	9
Quarterly consolidated comprehensive income statements	
Consolidated third quarter	10
(3) Quarterly consolidated financial statement notes	11
(Notes regarding going concern assumptions)	11
(Significant changes in shareholders' equity notes)	11
(Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)	11
(Additional information)	
(Segment information)	12

## 1. Qualitative Information about Quarterly Earnings

### (1) Explanation of business performance

The environment in which the Group operated during the first three quarters of the consolidated fiscal year ending March 31, 2019, was represented by ongoing growth in demand due to increases in the ratio of students going on to higher-level schools and inbound demand topping 30 million people in 2018. However, the operating environment was also affected by unpredictable natural disasters from June, including the earthquake in the northern region of Osaka, torrential rain in western Japan, the Hokkaido Eastern Iburi earthquake, and a series of major typhoons. Under these conditions, the Group worked steadily to make a swift recovery from the impact of these natural disasters and implement the two core components of the medium-term management plan, namely improving customer satisfaction and pursuing advanced developments.

As a result, operating results during the first three quarters were characterized by growth in net sales of 13.9% year on year, to ¥123,886 million. With regard to profit, we were able to absorb expenses related to preparations for development, etc. of ¥1,320 million, as well as costs of ¥240 million associated with a major program of renewals to improve customer satisfaction and income from the securitization of real estate, leading to an operating income of ¥12,044 million (up 17.9% year on year), ordinary income of ¥11,756 million (up 17.7% year on year), and profit attributable to owners of parent of ¥7,973 million (up 19.7% year on year). The Group achieved record-high levels of profit.

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

#### **Dormitory business**

In the dormitory business, initial occupancy rates 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 of a new dormitory for the exclusive use of schools. In the first three quarters, the number of contracts in the student dormitory business returned to the previous trend, in addition to which the corporate dormitory business also saw an increase in the number of contracts as a result of such factors as companies introducing dormitory systems. In terms of costs, the Company recorded ¥130 million in expenses related to preparations for development, etc. as a result of opening a new facility, as well as costs of ¥100 million in relation to a major program of renewals for existing facilities.

As a result, net sales reached ¥35,750 million (up 4.0% year on year) and operating income came to ¥5,171 million (up 0.04% year on year).

#### **Hotel business**

In the Dormy Inn (business hotel) business, the Company opened the “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 Takamatsuchukoemmae,” “Dormy Inn Global Cabin Yokohama Chukagai,” and “Natural Springs Asagiri no Yu Dormy Inn PREMIUM Namba ANNEX.”

Although the aforementioned natural disasters did have an impact, the number of inbound customers increased significantly, exceeding the previous year's levels in all months. In addition, use by many domestic customers made a contribution, and revenue per available room (RevPAR, calculated as the product of the occupancy rate for each room and the average room price), an important management indicator, continued to rise.

In the resort hotel business, we opened LA VISTA Kirishima Hills as our first resort in the Kyushu region. We will continue to promote the creation of resorts that will be loved by customers and become a familiar part of their lives. Occupancy rates temporarily fell below previous-year levels due to natural disasters, and although it took some time to recover, progress in improving customer satisfaction led to an increase in the daily room price and RevPar in the third quarter of the fiscal year (October-December 2018).

As a result, net sales rose by 12.3% year on year to ¥59,545 million. Despite ¥1,180 million in expenses related to preparations for development, etc. including the portion arising from new facilities scheduled to be opened in the future and ¥140 million in costs for major renovations to existing facilities, as well as the impact of natural disasters, operating income rose a steady 11.7% year on year to ¥7,496 million.

#### **Contracted services business**

In the contracted services business, net sales rose due to an increase in construction projects, but profit fell due to the expiry of certain contracts in the building management division. As a result, sales increased 6.0% to ¥10,903 million and operating income fell by 91.6% year on year to ¥18 million.

#### **Food service business**

In the food service business, sales rose due to growth in the number of contracted hotel restaurants managed, but profit fell due to the

## Kyoritsu Maintenance (9616), 3Q FYE March 2019 Earnings Announcement

costs incurred in preparing for the launch of a restaurant business. Consequently, sales increased by 3.0% to ¥5,246 million and operating income fell by 27.9% year on year to ¥84 million.

### **Construction business**

In the construction business, net sales fell as a result of the decline in construction projects, but profit increased significantly due to real estate liquidation. As a result, sales fell by 7.3% to ¥14,005 million and operating income increased by 162.8% year on year to ¥1,603 million.

### **Other business**

Our other business segments are the Senior Life business (management of senior citizen housing), the PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resource services business, and financing and administrative outsourcing services. The other business segments posted total net sales of ¥9,296 million, an increase of 5.0% year on year, and incurred an operating loss of ¥57 million, in comparison with an operating loss of ¥226 million in the same period of the previous fiscal year.

## **(2) Explanation of financial position**

### **(Assets)**

Total consolidated assets fell by ¥1,583 million from the end of the previous fiscal year to ¥189,345 million at the end of the third quarter. The main factor behind this fall was a decrease in cash and deposits, and construction in progress.

### **(Liabilities)**

Total consolidated liabilities fell by ¥7,721 million from the end of the previous fiscal year to ¥111,368 million at the end of the third quarter, due primarily to a decrease in notes and accounts payable—trade and bonds payable.

### **(Net assets)**

Net assets grew by ¥6,138 million from the end of the previous fiscal year to ¥77,977 million at the end of the third quarter, due mainly to a rise in retained earnings.

Consequently, equity ratio increased by 3.6 percentage points from the end of the previous fiscal year to 41.2% at the end of the third quarter.

## **(3) Explanation of future forecasts including consolidated earnings estimates**

Our consolidated earnings estimates for the fiscal year ending March 31, 2019, as provided on November 9, 2018, remain unchanged at this point in time.

## 2. Quarterly Consolidated Financial Statements and Important Notes

## (1) Quarterly consolidated balance sheet

(Unit: Millions of yen)

	FY3/18 (March 31, 2018)	3Q FY3/19 (December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	17,298	14,447
Notes and accounts receivable–trade	10,603	8,947
Real estate for sale	217	215
Costs on uncompleted construction contracts	360	302
Real estate for sale in process	2,652	2,086
Other	7,247	6,909
Allowance for loan losses	(26)	(27)
Total current assets	38,353	32,880
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	42,694	43,864
Land	40,846	42,912
Construction in progress	16,335	14,067
Other, net	3,087	3,466
Total property, plant and equipment	102,964	104,310
Intangible assets	4,012	4,060
Investments and other assets		
Investment securities	5,093	5,057
Guarantee deposits	16,054	16,274
Lease deposits	13,516	14,684
Other	10,575	11,781
Allowance for doubtful accounts	(203)	(210)
Total investments and other assets	45,036	47,587
Total non-current assets	152,013	155,958
Deferred assets	562	506
Total assets	190,929	189,345

Kyoritsu Maintenance (9616), 3Q FYE March 2019 Earnings Announcement

(Unit: Millions of yen)

	FY3/18 (March 31, 2018)	3Q FY3/19 (December 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	7,998	5,058
Short-term loans payable	12,915	18,134
Current portion of bonds	4,638	4,470
Income taxes payable	2,597	1,693
Provision for bonuses	2,071	1,459
Provision for directors' bonuses	388	330
Provision for warranties for completed construction	9	9
Provision for point card certificates	3	3
Other	21,664	17,463
Total current liabilities	52,287	48,623
Non-current liabilities		
Bonds payable	32,230	29,270
Convertible bond-type bonds with subscription rights to shares	20,000	19,995
Long-term loans payable	8,662	7,346
Director retirement benefit reserve	269	271
Provision for point card certificates	5	6
Net defined benefit liability	1,089	1,154
Other	4,544	4,701
Total non-current liabilities	66,802	62,744
Total liabilities	119,090	111,368
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,949	7,960
Capital surplus	12,805	12,816
Retained earnings	51,270	57,592
Treasury shares	(336)	(347)
Total shareholders' equity	71,690	78,021
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	515	336
Foreign currency translation adjustment	(378)	(389)
Remeasurements of defined benefit plans	12	9
Total accumulated other comprehensive income	149	(44)
Total net assets	71,839	77,977
Total liabilities and net assets	190,929	189,345



Kyoritsu Maintenance (9616), 3Q FYE March 2019 Earnings Announcement

(2) Quarterly consolidated income statement and comprehensive income statement

(Quarterly consolidated income statement)

(Consolidated third quarter)

(Unit: Millions of yen)

	3Q FY3/18 (April 1, 2017 to December 31, 2017)	3Q FY3/19 (April 1, 2018 to December 31, 2018)
Net sales	108,726	123,886
Cost of sales	83,317	94,996
Gross profit	25,408	28,889
Selling, general and administrative expenses	15,194	16,845
Operating income	10,214	12,044
Non-operating income		
Interest income	55	53
Dividend income	49	64
Deposit redemption income	74	59
Other	192	73
Total non-operating income	371	250
Non-operating expense		
Interest payment	384	309
Other	216	228
Total non-operating expenses	600	537
Ordinary income	9,985	11,756
Extraordinary income		
Gain on sales of non-current assets	196	—
Gain on sales of investment securities	1	18
Other	25	—
Total extraordinary income	224	18
Extraordinary losses		
Provision for loss on disaster	—	21
Loss on retirement of non-current assets	—	3
Loss on sales of property, plant and equipment	113	—
Dismantlement costs	115	—
Other	2	—
Total extraordinary losses	231	25
Income before income taxes	9,978	11,750
Income taxes	3,316	3,776
Profit	6,661	7,973
Profit attributable to owners of parent	6,661	7,973

Kyoritsu Maintenance (9616), 3Q FYE March 2019 Earnings Announcement

(Quarterly consolidated comprehensive income statements)

(Consolidated third quarter)

(Unit: Millions of yen)

	3Q FY3/18 (April 1, 2017 to December 31, 2017)	3Q FY3/19 (April 1, 2018 to December 31, 2018)
Profit	6,661	7,973
Other comprehensive income		
Valuation difference on available-for-sale securities	288	(179)
Foreign currency translation adjustment	176	(11)
Remeasurements of defined benefit plans	(3)	(2)
Total other comprehensive income	462	(193)
Comprehensive income	7,124	7,780
(Details)		
Comprehensive income attributable to owners of parent	7,124	7,780

(3) Quarterly consolidated financial statement notes

(Notes regarding going concern assumptions)

Not applicable

(Significant changes in shareholders' equity notes)

Not applicable

(Application of special accounting procedures in the preparation of our quarterly consolidated financial statements)

(Calculation of tax expense)

The Company applies the method that reasonably estimates an effective tax rate to be assessed on income before income taxes for the year ending March 31, 2019, including the nine months ended December 31, 2018, after accounting for the tax effects, and multiplies income before income taxes during the nine months ended December 31, 2018 by this estimated effective tax rate. However, in the event that the estimate for the effective tax rate appears to lack logical rationale, then the legally determined effective tax rate is employed.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year. Deferred tax assets are presented in investments and other assets section, and deferred tax liabilities are presented in the non-current liability section of the balance sheet respectively.

(Segment information)

Segment information

I. Third quarter of the fiscal year ended March 2018 (From April 1 to December 31, 2017)

1. Information pertaining to segment sales, profits and losses

(Unit: Millions of yen)

	Reporting segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	34,160	52,900	5,665	1,188	6,308	100,224	8,502	108,726	—	108,726
Inter-segment sales and transfers	217	128	4,623	3,907	8,791	17,669	353	18,022	(18,022)	—
Total	34,378	53,029	10,289	5,095	15,100	117,893	8,855	126,749	(18,022)	108,726
Segment profit/loss	5,168	6,714	224	117	610	12,835	(226)	12,608	(2,394)	10,214

- (Notes)
1. Other is not considered as a reporting business segment and is comprised of the Senior Life (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing, administrative outsourcing services, and other related services.
  2. Adjustment for segment profit and loss of ¥2,349 million includes ¥430 million for inter-segment transaction eliminations, and ¥1,963 million in companywide expenses that cannot be allocated to specific reporting segments. Companywide expenses are primarily those expenses arising from the accounting and management divisions.
  3. Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

2. Impairment accounting losses and goodwill amortization of fixed assets by reporting segments  
None

Kyoritsu Maintenance (9616), 3Q FYE March 2019 Earnings Announcement

II. Third quarter of the fiscal year ending March 2019 (From April 1 to December 31, 2018)

1. Information pertaining to segment sales, profits and losses

(Unit: Millions of yen)

	Reporting segments						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Subtotal				
Sales										
External sales	35,499	59,422	5,492	1,014	13,542	114,971	8,914	123,886	—	123,886
Inter-segment sales and transfers	250	123	5,410	4,232	463	10,480	381	10,862	(10,862)	—
Total	35,750	59,545	10,903	5,246	14,005	125,451	9,296	134,748	(10,862)	123,886
Segment profit/loss	5,171	7,496	18	84	1,603	14,375	(57)	14,317	(2,272)	12,044

(Notes) 1. Other is not considered as a reporting business segment and is comprised of the Senior Life (management of senior citizen housing), PKP business (consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing, administrative outsourcing services, and other related services.

2. Adjustment for segment profit and loss of ¥2,272 million includes ¥57 million for inter-segment transaction eliminations, and ¥2,330 million in companywide expenses that cannot be allocated to specific reporting segments. Companywide expenses are primarily those expenses arising from the accounting and management divisions.

3. Segment income (loss) has been adjusted to operating income described in quarterly consolidated statements of income.

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

None