



# **Kyoritsu Maintenance Co., Ltd.**

**(Securities Code: 9616)**

**1<sup>st</sup> Quarter Fiscal Year March 2008**

**Consolidated Earnings Results Update**

**August 2007**

## Historical Consolidated Financial Data and Benchmarks

	3/96	3/97	3/98	3/99	3/00	3/01	3/02	3/03	3/04	3/05	3/06	3/07	* 1Q3/07	* 1Q3/08	*
<b>Consolidated Income Statement</b>															
net sales	26,399	30,126	31,332	32,458	36,788	37,884	50,065	50,109	54,081	58,014	63,085	66,287	* 15,644	* 18,047	*
gross profit	5,430	5,639	6,188	6,578	7,173	7,834	10,221	10,785	10,541	10,894	11,783	12,242	* 3,947	* 3,982	*
operating income	1,628	1,814	1,971	2,465	2,369	2,828	3,908	4,149	4,004	4,407	4,611	3,745	* 1,865	* 1,570	*
ordinary income	1,537	1,705	1,864	2,203	2,281	2,643	3,580	3,885	4,060	4,411	4,824	3,787	* 1,836	* 1,430	*
net income	288	684	517	850	907	1,147	1,822	2,039	2,138	2,343	2,011	2,413	* 982	* 850	*
<b>Consolidated Balance Sheet</b>															
current assets	9,059	10,952	12,391	15,336	19,900	23,793	18,100	22,138	22,122	23,254	23,350	24,901	* 23,078	* 23,394	*
fixed assets	22,565	24,322	24,872	25,695	29,867	40,478	47,768	49,497	55,715	62,336	74,681	85,562	* 70,706	* 88,226	*
total assets	31,624	35,593	37,480	41,144	49,880	64,327	65,867	71,647	77,865	85,620	98,047	110,507	* 93,796	* 111,660	*
current liabilities	14,461	16,254	18,980	20,921	19,731	28,513	27,031	31,610	29,374	31,585	44,039	37,342	* 42,055	* 39,528	*
fixed liabilities	9,300	10,943	9,954	10,946	16,977	22,064	23,761	23,146	29,433	33,077	28,316	46,068	* 25,486	* 44,466	*
total liabilities	23,761	27,197	28,934	31,866	36,707	22,064	50,792	54,755	58,806	64,663	72,355	83,411	* 67,542	* 83,995	*
net assets (shareholders' equity)	7,863	8,396	8,546	9,278	13,169	13,747	15,073	16,824	18,935	20,788	25,512	27,096	* 26,254	* 27,665	*
<b>yy change</b>															
net sales	na	14.1%	4.0%	3.6%	13.3%	3.0%	32.2%	0.1%	7.9%	7.3%	8.7%	5.1%	* na	* 15.4%	*
gross profit	na	3.9%	9.7%	6.3%	9.0%	9.2%	30.5%	5.5%	-2.3%	3.3%	8.2%	3.9%	* na	* 0.9%	*
operating income	na	11.4%	8.7%	25.1%	-3.9%	19.4%	38.2%	6.1%	-3.5%	10.1%	4.6%	-18.8%	* na	* -15.8%	*
ordinary income	na	11.0%	9.3%	18.2%	3.5%	15.9%	35.4%	8.5%	4.5%	8.6%	9.4%	-21.5%	* na	* -22.1%	*
net income	na	137.5%	-24.5%	64.6%	6.7%	26.5%	58.8%	11.9%	4.8%	9.6%	-14.2%	20.0%	* na	* -13.4%	*
<b>margins</b>															
gross margins	20.6%	18.7%	19.8%	20.3%	19.5%	20.7%	20.4%	21.5%	19.5%	18.8%	18.7%	18.5%	* 25.2%	* 22.1%	*
operating margins	6.2%	6.0%	6.3%	7.6%	6.4%	7.5%	7.8%	8.3%	7.4%	7.6%	7.3%	5.6%	* 11.9%	* 8.7%	*
ordinary margins	5.8%	5.7%	6.0%	6.8%	6.2%	7.0%	7.2%	7.8%	7.5%	7.6%	7.6%	5.7%	* 11.7%	* 7.9%	*
net margins	1.1%	2.3%	1.6%	2.6%	2.5%	3.0%	3.6%	4.1%	4.0%	4.0%	3.2%	3.6%	* 6.3%	* 4.7%	*
<b>other benchmarks</b>															
ROE	3.7%	8.1%	6.0%	9.2%	6.9%	8.3%	12.1%	12.1%	11.3%	11.3%	7.9%	8.9%	* 3.7%	* 3.1%	*
ROA	0.9%	1.9%	1.4%	2.1%	1.8%	1.8%	2.8%	2.8%	2.7%	2.7%	2.1%	2.2%	* 1.0%	* 0.8%	*
equity ratio	24.9%	23.6%	22.8%	22.6%	26.4%	21.4%	22.9%	23.5%	24.3%	24.3%	26.0%	24.5%	* 28.0%	* 24.8%	*
Units: million yen													*	*	*



# 1<sup>st</sup> Quarter Fiscal Year March 2008 Earnings Results

August 10, 2007

Company Name: **Kyoritsu Maintenance Co., Ltd.**

Stock Exchange: Tokyo Stock Exchange

Company Code: 9616

Homepage: <http://www.kyoritugroup.co.jp>

Representative: Mitsutaka Sato, CEO and President

Contact: Takumi Ueda, Vice President

Telephone: +81-3-5295-7778

(Figures are rounded down to the nearest million yen)

## 1. 1<sup>st</sup> Quarter Fiscal Year March 2008 Consolidated Earnings (From April 1, 2007 to June 30, 2007)

### (1) Consolidated Earnings

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
1 <sup>st</sup> Quarter FY3/08	18,047	15.4	1,570	-15.8	1,430	-22.1	850	-13.4
1 <sup>st</sup> Quarter FY3/07	15,644	4.3	1,865	6.1	1,836	13.6	982	4.2
FY3/07	66,287	5.1	3,745	-18.8	3,787	-21.5	2,413	20.0

	EPS	Fully Diluted EPS
	Yen	Yen
1 <sup>st</sup> Quarter FY3/08	57.14	45.92
1 <sup>st</sup> Quarter FY3/07	79.36	75.02
FY3/07	176.98	151.74

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
1 <sup>st</sup> Quarter FY3/08	111,660	27,665	24.7	1,848.92
1 <sup>st</sup> Quarter FY3/07	93,796	26,254	27.8	2,102.38
FY3/07	110,507	27,096	24.4	1,809.86

### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Equivalents at Year End
	Million Yen	Million Yen	Million Yen	Million Yen
1 <sup>st</sup> Quarter FY3/08	-3,291	-4,917	6,674	12,186
1 <sup>st</sup> Quarter FY3/07	-1,342	3,205	-3,269	10,829
FY3/07	3,568	-3,654	1,034	13,721

## 2. Consolidated Earnings Projections for Fiscal Year March 2008 (From April 1, 2007 to March 31, 2008)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Yen
Interim	34,700	12.5	3,210	14.6	2,850	0.4	1,570	3.0	105.44
Full Year	74,200	11.9	4,900	30.8	4,460	17.8	2,790	15.6	187.38

3. Others

- |  |      |
|--|------|
| (1) Changes in the scope of our consolidated structure, including changes in our subsidiaries: | None |
| (2) Changes in accounting method in our implementation of simple accounting method:            | Yes  |
| (3) Changes in our accounting methods during the most recent fiscal year:                      | Yes  |

(Note) For further details please refer to the “financial statements information” on page 3.

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

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

(Changes in our rounding policies)

During the interim period of the previous fiscal year we changed our rounding policy from one where figures of more than 0.5 were rounded up and less were rounded down, to one where all figures less than a full decimal point are rounded down. Consequently we have made adjustments to our 1<sup>st</sup> quarter figures of the previous years to reflect this change.

## (Financial Statements Information)

## 1. Consolidated Earnings Information

During the 1<sup>st</sup> quarter in the fiscal year under review, the Japanese economy gradually recovered on the back of improved corporate earnings and subsequent stronger capital investments, as well as from a favorable employment market. Furthermore consumer spending trended firmly despite concerns over higher prices of crude oil and other natural resources and the potential for higher interest rates in the future.

A characteristic of our first quarter earnings is that a large portion of our annual sales are realized due to the signing of contracts for residents in our main dormitory business as students enter our dormitories along with the start of the school year in April. Furthermore in our hotel business, we note a decline in sales resulting from the fact that the first quarter (April to June) is a weak period for travel and tourism in Japan.

During the first quarter we promoted the development of new dormitories to accommodate the strong demand for both corporate and student housing, and we opened 18 new dormitories. At the end of June the total number of our dormitory resident contracts stood at 26,323 (Up 1,240 year-over-year), and our sales and operating income rose 6.9% year-over-year to ¥10,257 million and 10.8% year-over-year to ¥2,228 million respectively.

In our hotel business, our core Dormy Inn (Business Hotel) operations benefitted from stable and high occupancy rates, and we opened three new hotels including “Doujimagawa Onsen Tenjin no Yu Dormy Inn Umeda East (April),” “La Vista Kushirogawa (April),” and “Natural Hot Springs Aki no Yu Dormy Inn Sendai Station (May).” In our resort hotel business we opened two new facilities including “La Vista Daisetuzan (April)” and “Okuhida Onsenkyo Hirayu Takumi no Yado Miyamaouan (April).” These new openings helped to boost our sales by 71.4% year-over-year to ¥4,351 million, while we saw a an operating loss of ¥355 million due to seasonal factors and to the opening costs associated with these new facilities. However this earnings performance is in line with our expectations.

In our contracted services business we sought to fortify, reduce costs of and raise efficiency of our property management services. However we experienced fierce competition and requests for reductions in existing service contracts. Consequently our sales declined by 3.0% year-over-year to ¥2,697 million and operating income fell by 40.3% year-over-year to ¥90 million.

In our construction business, we continued to focus upon the development of dormitories and hotels in the major metropolitan areas where demand remains strong. However during the first quarter we noted a decline in project deliveries and our sales fell by 44.3% year-over-year to ¥457 million and we incurred a loss of ¥49 million.

As a result of these efforts, the Kyoritsu Group saw its first quarter sales rise by 15.4% year-over-year to ¥18,047 million, while our operating, ordinary and net incomes declined by 15.8% year-over-year to ¥1,570 million.

million, 22.1% year-over-year to ¥1,430 million and 13.4% to ¥850 million. We attribute this performance to costs associated with the preparation of various new facility openings in our hotel business and the lower level of deliveries of construction projects during the first quarter of the current fiscal year. However this level of earnings remains in line with our outstanding projections.

## 2. Consolidated Financial Position Information

During the first quarter of the fiscal year under review an increase in acquisitions of tangible fixed assets helped to offset the seasonal decline in prepayments associated with our dormitories, and our total assets increased by ¥1,153 million from the end of the previous fiscal year to ¥111,660 million. Furthermore our net assets grew by ¥569 million to ¥27,665 million, thereby improving our net asset ratio to 24.7% from 24.4% at the end of the previous fiscal year.

## 3. Others

### (1) Major changes in the scope of our consolidation including movements in our consolidated subsidiaries:

None

### (2) Changes in the accounting method of our simple accounting method:

We implement a simple accounting method for our reserves.

### (3) Changes in accounting method made during the most recent fiscal year:

(Changes in depreciation and amortization)

Along with changes in the FY2007 corporate tax revisions ((Law revising a portion of the income tax law March 30, 2007, law 6) and (Law revising a portion of the income tax law March 30, 2007, government order number 83)) we have changed our corporate tax treatment of tangible fixed assets acquired after April 1, 2007.

Furthermore with regards to those tangible fixed assets acquired before March 31, 2007, we have depreciated the maximum amount possible of our tangible fixed assets up until that point in time and have adopted an equal balance depreciation level over the following five years for the outstanding balance of these fixed assets. Furthermore we note that the impact of this change to our earnings will be negligible.

## 4. Quarterly Consolidated Financial Statements (Summary)

## (1) Quarterly Consolidated Balance Sheet (Summary)

Units: Million Yen

Item	1 <sup>st</sup> Quarter FY3/07	1 <sup>st</sup> Quarter FY3/08	Change		FY3/07
	Value	Value	Value	%	Value
<b>(Assets)</b>					
<b>I Current assets</b>					
Cash and deposits	11,441	13,298	1,856		14,333
Notes, accounts receivables	2,215	2,345	130		2,899
Inventories	2,919	2,392	-526		1,939
Others	6,557	5,401	-1,155		5,772
Doubtful account reserves	-55	-43	11		-43
Total current assets	23,078	23,394	316	1.4	24,901
<b>II Fixed assets</b>					
1. Tangible fixed assets					
Buildings, structures	16,507	24,081	7,573		20,445
Land	18,552	20,955	2,403		19,787
Building trust, structures	—	8,086	8,086		8,068
Land trust	—	4,902	4,902		4,902
Others	5,018	5,220	202		7,623
Total tangible fixed assets	40,078	63,246	23,168	57.8	60,827
2. Intangible fixed assets	2,313	2,732	419	18.1	2,638
3. Investments, other assets					
Investment securities	13,694	5,570	-8,123		5,510
Security deposits	6,336	6,440	103		6,429
Lease deposits	4,804	5,322	517		5,327
Others	3,572	5,014	1,442		4,930
Doubtful account reserves	-93	-101	-8		-101
Total investments, other assets	28,314	22,246	-6,067	-21.4	22,095
Total fixed assets	70,706	88,226	17,519	24.8	85,562
<b>III Deferred assets</b>	11	40	28	242.1	43
<b>Total assets</b>	<b>93,796</b>	<b>111,660</b>	<b>17,864</b>	<b>19.0</b>	<b>110,507</b>

(Units: Million Yen)

Item	1 <sup>st</sup> Quarter FY3/07	1 <sup>st</sup> Quarter FY3/08	Change		FY3/07
	Value	Value	Value	%	
<b>Liabilities</b>					
<b>I Current Liabilities</b>					
Notes, accounts payable	2,248	2,019	-229		2,989
Short term debt	22,612	20,630	-1,982		12,311
Redeemable portion of bond due within one year	1,440	1,600	160		1,600
Accrued corporate, other tax	828	646	-181		2,349
Deposits	9,893	9,366	-527		11,658
Bonus reserves	1,472	1,276	-196		799
Director bonus reserves	—	150	150		122
Completed work reserves	45	72	26		82
Others	3,514	3,767	252		5,427
Total current liabilities	42,055	39,528	-2,527	-6.0	37,342
<b>II Fixed liabilities</b>					
Bonds	4,489	14,440	9,951		14,907
Long term debt	12,017	21,446	9,429		22,364
Retirement benefit reserves	982	1,056	73		1,033
Director retirement reserves	376	394	17		395
Others	7,620	7,128	-491		7,368
Total fixed liabilities	25,486	44,466	18,980	74.5	46,068
Total liabilities	67,542	83,995	16,453	24.4	83,411
<b>(Net assets)</b>					
<b>I Shareholder's equity</b>					
Capital	5,107	5,131	24	0.5	5,128
Capital reserves	5,913	5,938	25	0.4	5,935
Retained earnings	15,283	16,774	1,491	9.8	16,191
Treasury stock	-327	-349	-21	-6.7	-348
Shareholder's equity	25,976	27,495	1,519	5.8	26,907
<b>II Valuation, translation gains</b>					
Valuation gains on securities	88	39	-49	-55.6	40
Deferred hedge gains	—	0	0	—	0
<b>Total valuation, translation gains</b>	88	39	-49	-55.5	41
<b>III Minority holdings</b>	189	130	-59	-31.2	147
Total net assets	26,254	27,665	1,411	5.4	27,096
Total liabilities, net assets	93,796	111,660	17,864	19.0	110,507



## (2) Quarterly Income Statement (Summary)

(Units: Million yen)

Item	1 <sup>st</sup> Quarter FY3/07	1 <sup>st</sup> Quarter FY3/08	Change		FY3/07
	Value	Value	Value	%	Value
<b>I Net sales</b>	15,644	18,047	2,402	15.4	66,287
<b>II CGS</b>	11,697	14,064	2,366	20.2	54,044
Gross income	3,947	3,982	35	0.9	12,242
<b>III SG&amp;A</b>	2,081	2,412	331	15.9	8,496
Operating income	1,865	1,570	-295	-15.8	3,745
<b>IV Non-operating income</b>					
Interest received	4	15	11		45
Dividend received	58	33	-25		246
Marketable securities sale	47	36	-10		160
Minority shareholding profit	8	4	-4		24
Others	76	35	-40		541
Total non-operating income	195	125	-69	-35.7	1,017
<b>V Non-operating expense</b>					
Interest payment	153	177	24		725
Sales discount	42	44	1		46
Others	28	43	14		203
Total non-operating expense	224	265	41	18.3	975
Ordinary income	1,836	1,430	-405	-22.1	3,787
<b>VI Extraordinary income</b>	—	54	54	—	1,739
<b>VII Extraordinary loss</b>	42	—	-42	—	672
Net income before taxes	1,793	1,484	-309	-17.2	4,854
Taxes	775	636	-139	-17.9	2,420
Minority shareholding profits	36	-2	-38	-107.8	21
Net income	982	850	-131	-13.4	2,413

## (3) Quarterly Change in Consolidated Shareholder's Equity Statement

1st Quarter FY12/08 (From April 1 to June 30, 2007)

(Units: Million Yen)

	Shareholder's Equity					Evaluation, Translation Gains	Minority Holdings	Total Net Assets
	Capital	Capital Reserves	Retained Earnings	Treasury Stock	Shareholder's Equity			
As of March 31, 2007	5,128	5,935	16,191	-348	26,907	41	147	27,096
Changes during the quarter								
New share issued as a result of CB and stock options exercise	3	3			7			7
Dividends from retained earnings			-268		-268			-268
Net income			850		850			850
Treasury stock acquisition				-1	-1			-1
Treasury stock disposal		0		0	0			0
Other changes						-1	-17	-19
Total changes during the quarter	3	3	582	-1	588	-1	-17	569
As of end June 30, 2007	5,131	5,938	16,774	-349	27,495	39	130	27,665

\* We started disclosing our change in consolidated shareholder's equity from the current quarter, and therefore do not display data for the 1st quarter of the previous

(Reference) FY12/07 (From April 1, 2006 to March 31, 2007)

(Units: Million Yen)

	Shareholder's Equity					Evaluation, Translation Gains	Minority Holdings	Total Net Assets
	Capital	Capital Reserves	Retained Earnings	Treasury Stock	Shareholder's Equity			
As of March 31, 2006	5,051	5,857	14,680	-326	25,263	249	179	25,691
Changes during the fiscal year								
New share issued as a result of CB and stock options exercise	77	76			154			154
Dividends from retained earnings (*)			-222		-222			-222
Dividends from retained earnings			-223		-223			-223
Director bonuses (*)			-157		-157			-157
Net income			2,413		2,413			2,413
Decrease resulting from increase in consolidated subsidiaries			-299		-299			-299
Treasury stock acquisition				-22	-22			-22
Treasury stock disposal		0		0	1			1
Other changes						-207	-31	-239
Total changes during the fiscal year	77	77	1,510	-21	1,643	-207	-31	1,404
As of March 31, 2007	5,128	5,935	16,191	-348	26,907	41	147	27,096

(\*) = Disposal of earnings as decided upon during our annual shareholders' meeting held in June 2006

## (4) Quarterly Consolidated Cash Flow Statement (Summary)

(Units: Million Yen)

Items	1st Quarter FY3/07	1st Quarter FY3/08	FY3/07
	Value	Value	Value
<b>I Cash flow from operating activities</b>			
Net income before taxes and other adjustments	1,793	1,484	4,854
Depreciation, amortization	415	641	2,101
Impairment loss	—	—	547
Change in bonus reserves	480	476	-191
Change in director bonus reserves	—	27	122
Interest, dividends received	-63	-49	-291
Interest payment	153	177	725
Liquidation of marketable securities	-47	-36	-198
Disposal of marketable securities	—	—	-1,605
Change in accounts receivables	1,427	554	654
Change in income from investment trusts	—	8	-293
Change in accounts due	642	503	410
Change in inventories	-1,620	-453	-641
Change in accounts payable	-1,570	-1,179	-1,240
Change in prepayment received	-1,242	-2,338	544
Change in advances	-843	-729	53
Change in deposits	17	-46	60
Bonus payment to directors	—	—	-164
Change in prepayment from customers	—	-35	-114
Others	-20	63	313
Subtotal	-477	-930	5,647
Interest, dividends received	76	121	280
Interest payment	-169	-182	-724
Corporate tax payment	-772	-2,299	-1,635
Cash flow from operating activities	-1,342	-3,291	3,568
<b>II Cash flow from investing activities</b>			
Marketable securities purchases	-1,750	-1,051	-4,114
Liquidation of marketable securities	172	423	6,620
Disposal of marketable securities	—	—	1,761
Acquisition of tangible fixed assets	-2,246	-3,379	-15,404
Income from liquidation of tangible fixed assets	7,787	2	8,787
Acquisition of intangible fixed assets	-46	-145	-522
Long term prepayments	-77	-131	-414
Loans extended	-223	-235	-480
Loans recovered	142	180	517
Rental deposits paid	-964	-72	-1,016
Rental deposits recovered	344	11	287
Others	68	-517	325
Cash flow from investing activities	3,205	-4,917	-3,654
<b>III Cash flow from financing activities</b>			
Change in short term debt	2,990	8,060	-10,540
Increase in long term debt	1,000	762	12,360
Repayment of long term debt	-6,565	-1,421	-10,355
Income from bond issuance	—	—	11,584
Payment for bond redeemed	-460	-460	-1,440
Acquisition of treasury stock	-1	-1	-22
Dividend payment	-212	-247	-445
Dividend payment to minority shareholder	-18	-14	-27
Others	-1	-1	-79
Cash flow from financing activities	-3,269	6,674	1,034
<b>IV Translation gains on cash and equivalents</b>			
	—	—	—
<b>V Net change in cash and equivalents</b>			
	-1,406	-1,534	949
<b>VI Cash and equivalents at term start</b>			
	12,236	13,721	12,236
<b>VII Addition to cash from consolidation change</b>			
	—	—	535
<b>VIII Cash and equivalents at term end</b>			
	10,829	12,186	13,721

## (5) Segment Information

(Information by Business Segment)

1st Quarter FY3/07

(Units: Million Yen)

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales	9,595	2,538	2,780	941	822	975	17,653	(2,008)	15,644
Expenses	7,583	2,717	2,627	978	719	926	15,553	(1,774)	13,779
Operating income	2,011	-179	152	-37	102	49	2,099	(233)	1,865

1st Quarter FY3/08

(Units: Million Yen)

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales	10,257	4,351	2,697	1,306	457	1,172	20,243	(2,196)	18,047
Expenses	8,029	4,707	2,606	1,330	507	1,114	18,294	(1,817)	16,476
Operating income	2,228	-355	90	-23	-49	58	1,948	(378)	1,570

FY3/07

(Units: Million Yen)

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales	33,447	13,428	11,680	4,330	15,251	4,018	82,157	(15,870)	66,287
Expenses	28,107	14,556	11,055	4,504	14,872	3,764	76,860	(14,319)	62,541
Operating income	5,340	-1,127	625	-174	379	254	5,297	(1,551)	3,745