Kyoritsu Maintenance Co., Ltd.

(Stock Code:　9616)

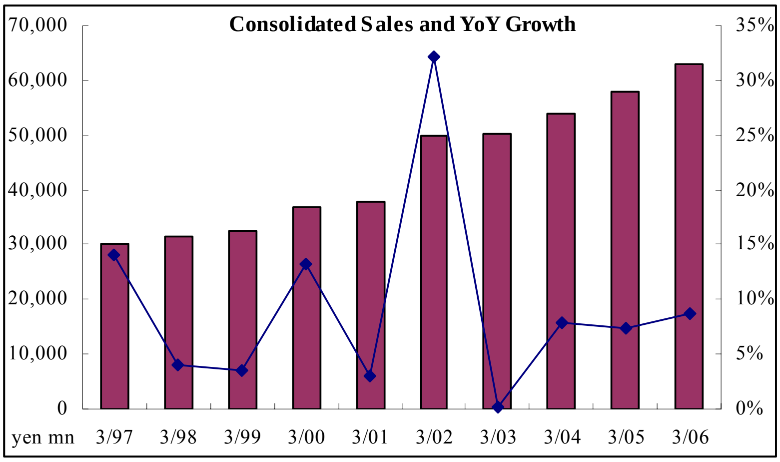
Interim Period Fiscal Year March 2007
Consolidated Earnings Results Update

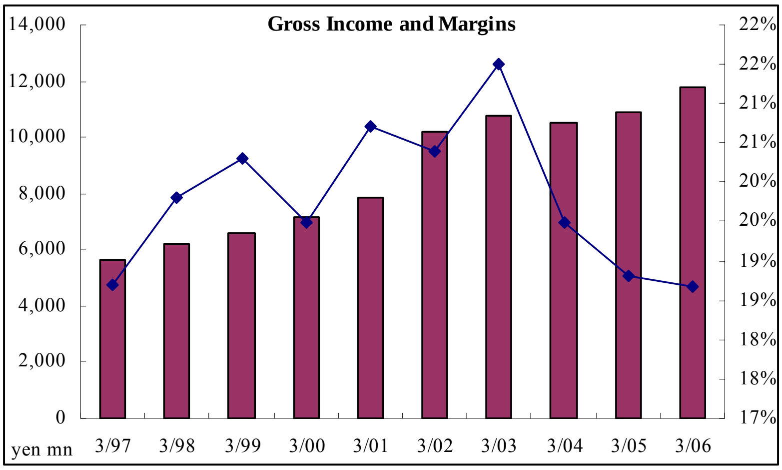
November 2006

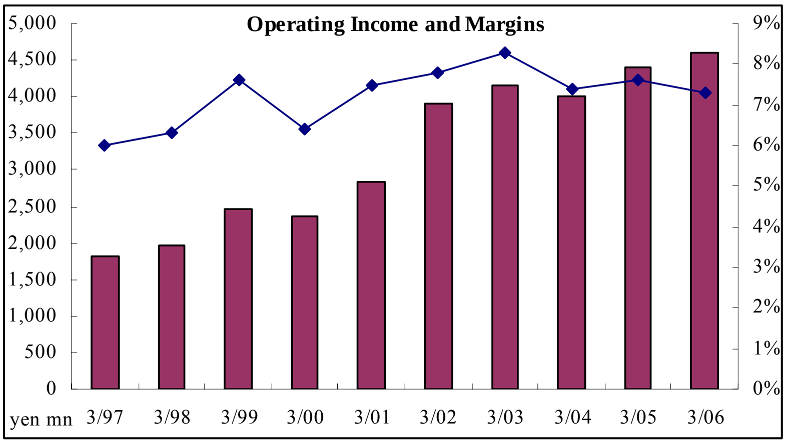
Kyoritsu Maintenance Consolidated Financial Data at a Glance

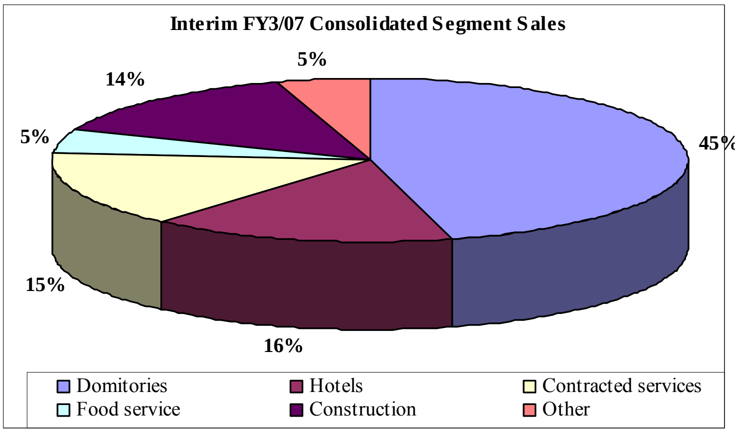
Consolidated Segment Sales	**Interim**	**Interim**	**YY**	**Full Year**
(Units: million yen)	**FY3/06**	**FY3/07**	**Change**	**FY3/06**
Dormitories	16,655	17,560	5.4%	31,767
Hotels	5,042	6,027	19.5%	10,410
Contracted services	6,581	5,711	-13.2%	13,277
Food service	1,967	1,855	-5.7%	3,828
Construction	1,963	5,378	174.0%	9,571
Other	1,542	1,857	20.4%	3,333
Eliminations	-3,712	-7,324	97.3%	-9,103
Total	30,038	31,064	3.4%	63,083
% Composition				
Dormitories	55.4%	56.5%		50.4%
Hotels	16.8%	19.4%		16.5%
Contracted services	21.9%	18.4%		21.0%
Food service	6.5%	6.0%		6.1%
Construction	6.5%	17.3%		15.2%
Other	5.1%	6.0%		5.3%
Eliminations	-12.4%	-23.6%		-14.4%
Total	100.0%	100.0%		100.0%

Consolidated Income Statement	**3/02**	**3/03**	**3/04**	**3/05**	**3/06**	*	**9/05**	**9/06**	*	**3/07e**
net sales	50,065	50,109	54,081	58,014	63,085	*	30,040	31,066	*	69,400
gross profit	10,221	10,785	10,541	10,894	11,783	*	6,295	6,770	*	na
operating income	3,908	4,149	4,004	4,407	4,611	*	2,897	2,800	*	5,340
ordinary income	3,580	3,885	4,060	4,411	4,824	*	2,790	2,838	*	5,310
net income	1,822	2,039	2,138	2,343	2,011	*	1,029	1,523	*	2,790
yoy change						*			*	
net sales	32.2%	0.1%	7.9%	7.3%	8.7%	*	na	3.4%	*	10.0%
gross profit	30.5%	5.5%	-2.3%	3.3%	8.2%	*	na	7.5%	*	na
operating income	38.2%	6.1%	-3.5%	10.1%	4.6%	*	na	-3.3%	*	15.8%
ordinary income	35.4%	8.5%	4.5%	8.6%	9.4%	*	na	1.7%	*	10.1%
net income	58.8%	11.9%	4.8%	9.6%	-14.2%	*	na	48.0%	*	38.7%
margins						*			*	
gross margins	20.4%	21.5%	19.5%	18.8%	100.0%	*	100.0%	100.0%	*	
operating margins	7.8%	8.3%	7.4%	7.6%	39.1%	*	46.0%	41.4%	*	
ordinary margins	7.2%	7.8%	7.5%	7.6%	40.9%	*	44.3%	41.9%	*	
net margins	3.6%	4.1%	4.0%	4.0%	17.1%	*	16.3%	22.5%	*	
						*			*	
Consolidated Balance Sheet						*			*	
current assets	18,100	22,138	22,122	23,254	23,350	*	18,727	22,929	*	
fixed assets	47,768	49,497	55,715	62,336	74,681	*	67,672	78,326	*	
total assets	65,867	71,647	77,865	85,620	98,047	*	86,421	101,298	*	
current liabilities	27,031	31,610	29,374	31,585	44,039	*	33,948	33,152	*	
fixed liabilities	23,761	23,146	29,433	33,077	28,316	*	30,699	41,685	*	
total liabilities	50,792	54,755	58,806	64,663	72,355	*	64,647	74,837	*	
shareholders' equity	15,073	16,824	18,935	20,788	25,512	*	21,613	26,460	*	
other benchmarks						*			*	
ROE	12.1%	12.1%	11.3%	11.3%	7.9%	*	4.8%	5.8%	*	
ROA	2.8%	2.8%	2.7%	2.7%	2.1%	*	1.2%	1.5%	*	
equity ratio	22.9%	23.5%	24.3%	24.3%	26.0%	*	25.0%	26.1%	*	
Units: million yen						*			*	

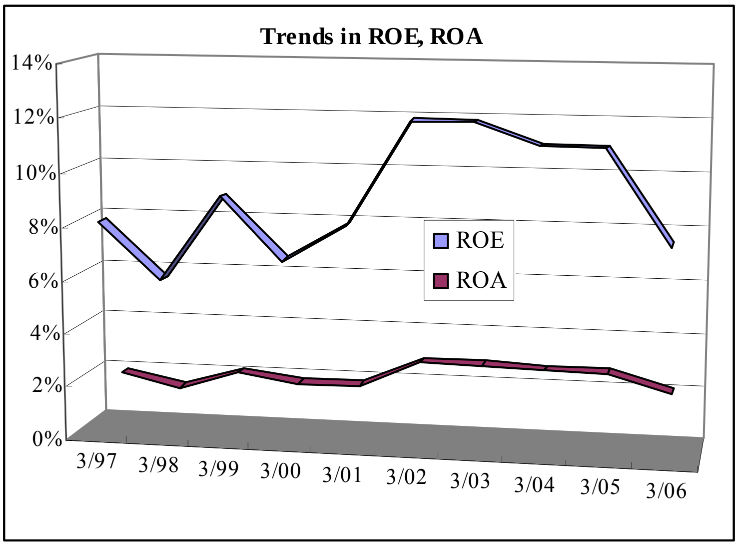

Consolidated Sales and YoY Growth
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
yen mn
3/97
3/98
3/99
3/00
3/01
3/02
3/03
3/04
3/05
3/06
35%
30%
25%
20%
15%
10%
5%
0%


Gross Income and Margins
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
yen mn
3/97
3/98
3/99
3/00
3/01
3/02
3/03
3/04
3/05
3/06
22%
22%
21%
21%
20%
20%
19%
19%
18%
18%
17%

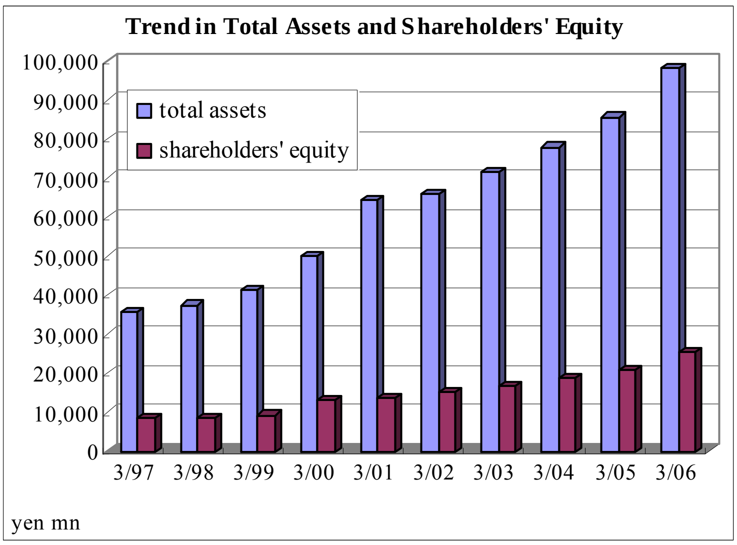

Operating Income and Margins
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
yen mn
3/97
3/98
3/99
3/00
3/01
3/02
3/03
3/04
3/05
3/06
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%



Interim FY3/07 Consolidated Segment Sales
5%
14%
5%
45%
15%
16%
Domitories
Hotels
Contracted services
Food service
Construction
Other



Trends in ROE, ROA
14%
12%
10%
8%
6%
4%
2%
0%
ROE
ROA
3/97
3/98
3/99
3/00
3/01
3/02
3/03
3/04
3/05
3/06



Trend in Total Assets and Shareholders' Equity
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
total assets
shareholders' equity
3/97
3/98
3/99
3/00
3/01
3/02
3/03
3/04
3/05
3/06
yen mn

Interim Period of Fiscal Year March 2007 Consolidated Earnings Results

November 15, 2006

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

Stock Exchange: Tokyo Stock Exchange

Stock Code: 9616 Homepage: http://www.kyoritugroup.co.jp

Headquarters: Advance Building 4-7-7 Sotokanda, Chiyoda-ku, Tokyo

President: Mitsutaka Sato

Contact: Takumi Ueda Telephone: +81-3-5295-7778

U.S. GAAP not adopted Board of Directors Meeting: November 15, 2006

1. Interim Period of Fiscal Year March 2007 Consolidated Earnings (from April 1, 2005 to September 30, 2006)

Consolidated Earnings (Figures of less than a decimal point are rounded down)

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	% yy	Million Yen	% yy	Million Yen	% yy
Interim FY3/07	31,066	3.4	2,800	- 3.4	2,838	1.7
Interim FY3/06	30,040	10.2	2,897	15.2	2,790	12.6
FY3/06	63,084		4,611		4,823	

	Net Income		EPS	Fully Diluted EPS
	Million Yen	% yy	Yen	Yen
Interim FY3/07	1,523	48.0	122.98	115.67
Interim FY3/06	1,029	- 26.0	92.20	78.61
FY3/06	2,010		161.87	141.96

1) Contributions from equity accounting method: ¥17 million in Interim FY3/07, ¥0 million in Interim FY3/06, ¥5 million in FY3/06
2) Average number of shares: 12,388,637 in Interim FY3/07, 11,165,312 in Interim FY3/06, and 11,453,511 in FY3/06
3) No changes in accounting method

(2) Consolidated Financial Position (Figures of less than a decimal point are rounded down)

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
Interim FY3/07	101,298	26,460	26.0	2,119.72
Interim FY3/06	86,421	21,613	25.0	1,934.69
FY3/06	98,047	25,512	26.0	2,052.29

Shares outstanding at term end: 12,407,555 at end Interim FY3/07, 11,171,600 at end Interim FY3/06, and 12,354,813 at end FY3/06

(3) Consolidated Cash Flows (Figures of less than a decimal point are rounded down)

	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
Interim FY3/07	- 2,338	1,532	- 1,450	10,517
Interim FY3/06	- 789	- 8,588	4,099	8,697
FY3/06	5,855	- 15,961	8,365	12,236

(4) Consolidated Subsidiaries: 20 companies, Non-Consolidated Subsidiaries: 0, Companies held under equity accounting method: 1 company
(5) Changes in the scope of consolidation and companies held under the equity accounting method: 10 new consolidated companies

2. Earnings Projections for Fiscal Year March 2007 (from April 1, 2006 to March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Full Year	69,400	5,310	2,790

(Note: Net income per share projection for the full year is ¥204.61)
(Note) Due to the 1.2 for 1 stock split implemented on October 1, 2006, we have decided to use an average outstanding share number estimate for the fiscal year March 2007 period in the calculation of our fiscal year March 2007 EPS projection.
* 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. Also please refer to the earnings projections segment of this document for further details of our projections.
(Note) We previously adopted a policy of rounding our figures of less than a decimal point to the nearest figure, but from this interim period we round all figures of less than a decimal point down to the lower figure.

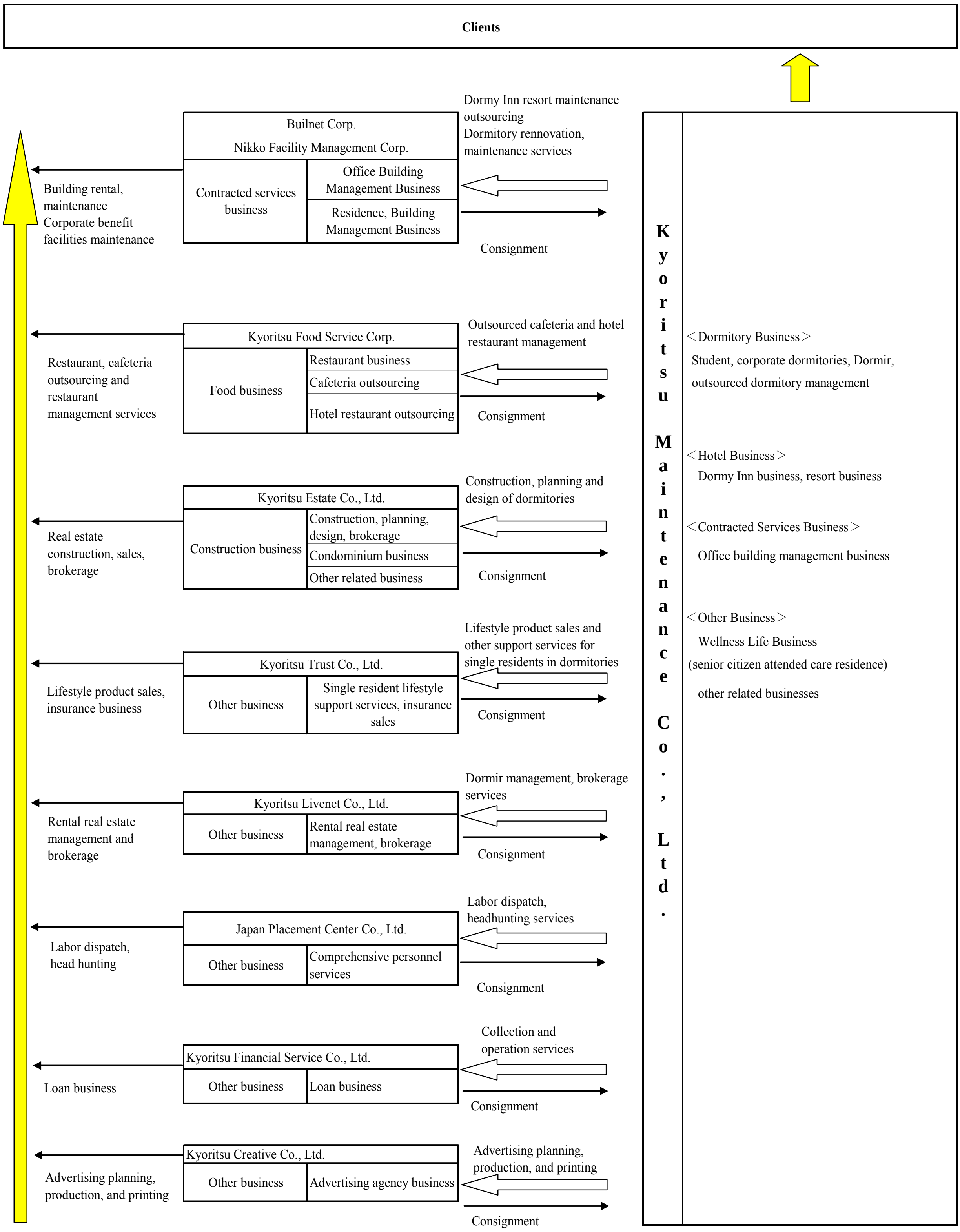
1. Corporate Structure

The Kyoritsu Maintenance Group consists of the parent company, 20 subsidiaries, and five affiliated companies. Our main businesses consist of student and corporate dormitories, hotels, contracted services, food service, real estate development business, and other business.

The details of our businesses and the services provided by our various subsidiaries and affiliates are listed below.

Business Segment	Business Description	Participating Companies
Dormitories	Student and corporate dormitories, and outsourced dormitory management	Kyoritsu Maintenance Co., Ltd. Four other companies
Hotels	Dormy Inn (Long-term stay business hotels) Resort hotels	Kyoritsu Maintenance Co., Ltd. Nine other companies
Contracted Services	Office building management business Residential property management business	Builnet Corporation Nikko Facility Management Co., Ltd. Kyoritsu Maintenance Co., Ltd. Two other companies
Food Service Business	Restaurant business Outsourced catering business Hotel restaurant outsourcing business	Kyoritsu Food Services Co., Ltd.
Real Estate Development Business	Construction, planning, design, brokerage, condominium sales, other related real estate development business	Kyoritsu Estate Co., Ltd.
Other Businesses	Wellness Life Business (senior citizen residence management and operations) Brokerage and management of rental real estate Single resident insurance and other lifestyle support services Comprehensive human resources business Financing business Advertising business Other related businesses	Kyoritsu Maintenance Co., Ltd. Kyoritsu Livenet Co., Ltd. Kyoritsu Trust Co., Ltd. Nihon Placement Center Co., Ltd. Kyoritsu Financial Service Co., Ltd. Kyoritsu Creative Co., Ltd.

Schematic Diagram of Our Operations



2. Management Policy

(1) Our Basic Management Policy

Our Group has exerted every effort to provide a high level of client satisfaction ever since our founding, constantly seeking to satisfy the various needs of our residents by offering them useful and high quality services which focus on themes such as "dining," "living," and "comfort." We also offer guests at our facilities modern versions of the "traditional Japanese boarding house" (*Geshukuya*) that "provide heart-warming comfort" to help satisfy all of their lifestyle needs through the provision of high quality and helpful services. Furthermore as a specific part of our business strategy, we aim to "further expand and to raise the profitability of our core dormitory business," "expand into business fields related to our dormitory business," and "fortify the foundation of our hotel business and establish it as a driver of our future earnings." Finally, we seek to fortify our corporate structure to further improve the quality of our services, and to be able to contribute to the prosperity of our clients, our business partners, and our community.

(2) Our Basic Policy Regarding the Distribution of Profits

We consider the capital contributed by shareholders to be invaluable, and place a high priority on the distribution of profits to our shareholders in line with our earnings performance. One of our goals is to maintain a stable level of dividends over the long-term and we have established a target dividend payout ratio of 20%. During recent years we have been able not only to increase our dividends, but also to offer stock splits, effectively raising our overall dividend payout. With regards to distribution of profits to shareholders in the future, we will endeavor to maintain a stable level of dividends while also responding flexibly to reflect changes in our earnings and with a view to the conversion of our convertible bond. At the same time we also seek to retain a level of earnings that will give our management the freedom to make necessary capital investments in response to changes in the market and to develop new businesses whenever appropriate.

(3) Our Basic Policy Regarding Reductions in the Minimum Share Investment Lot

Our Company views reductions in the minimum investment lot as an effective means of increasing market liquidity and a way to help to invigorate the stock market. We do not have any concrete targets in terms of either the timing for or the number of shares to which our minimum share investment lot could be reduced. However we will take the trading of our shares, our shareholder structure, and stock market conditions into consideration with regards to the timing and amount by which we could reduce our minimum share investment lot.

(4) Benchmarks of Our Intermediate- to Long-Term Management Strategy

The Kyoritsu Group maintains a basic goal of increasing its consolidated return on equity (ROE), and seeks to create a corporate structure that emphasizes profitability. In order to become a company with an even stronger market presence in the 21st century, we seek to dramatically expand our share of the market by steadily growing our dormitory business, to cultivate our hotel business as the second driver of our earnings growth, and to increase the synergies within our Group.

In order to achieve these goals, our Group has established the following targets as part of our intermediate- to long-term management plan.

1. We recognize the importance of strengthening our cooperation with universities to expand our share of the student dormitory market, which has been the source of Kyoritsu's growth since our founding. At the same time we will accelerate the pace of our development activities and increase the resources we allocate to this business area.
2. In our corporate dormitory business, we note the trend by Japanese corporations to abandon the operation of their own dormitories as part of their restructuring of corporate benefit programs, which comes despite growing demand for dormitories for employees working in the Tokyo metropolitan region. In response to this changing environment, we seek to strengthen our marketing efforts to capture a greater share of the demand for single-employee housing and for outsourcing services to maintain dormitories and other corporate housing.
3. Our Dormy Inn business (business hotels) has become an established part of our overall business model, and we will expand our operations to all of the major cities throughout Japan to help fortify this business's earnings structure.
4. With regards to our resort business, we will open facilities designed to "achieve harmony with the surrounding natural environment" as the theme for our next generation of resorts. We expect these efforts to help us capture the impending large growth in the leisure market, which will be driven by the "2007 Problem," where large numbers of baby-boomer Japanese will begin retiring in 2007.
5. In our contracted services business, we will fortify and expand our nationwide network in addition to raising the level of our technical expertise and the attractiveness of our services.
6. We seek to strengthen our overall financial position by optimizing the allocation of our business resources to restrain increases in the amount of capital employed, and by increasing the liquidity of our real estate holdings through a shift of assets off our balance sheet.

Additionally, we maintain the following management goals:

1. Actively hire new staff and promote their training.
2. Consolidate back office and other administrative functions, and streamline and speed up our overall operations.
3. Strengthen our IR function.

Our Group is currently reviewing our intermediate- to long-term management plan as mentioned above, and is pursuing its goal of 10% growth in both sales and ordinary income going forward. During fiscal year March 2009, the final year of our intermediate-term management plan, we target an ordinary income margin of 8%, ROE of 14% and ROA of 7% at the consolidated level.

(5) Key Management Issues

In our efforts to realize the goals defined in our intermediate- to long-term management plan cited above and to further raise our shareholder value, the Kyoritsu Group maintains as a core principle the belief that our customers are our primary concern and helping them is the foundation of our work ethic.

For this reason, in the development of our dormitory business we will accurately assess the demands of the market and always place an emphasis on allocating our business resources effectively. Specifically, we strive to differentiate our services by raising the attractiveness of the facilities and the services we provide to students entering colleges and schools in major metropolitan areas. Furthermore, we seek to strengthen our standing in the market and expand our operating territory by fortifying our cooperation with vocational schools and major universities throughout Japan. We will take advantage of the approaching wave of business we expect to see for the outsourcing of corporate housing management accompanying the review of corporate benefit programs, and strengthen our proposal-based marketing function to cultivate new customers by helping them to solve problems in managing their employee fringe benefit facilities.

Using the know-how developed in our dormitory business as a base for our Dormy business (studio-type condominium dormitories), we will increase the supply of our facilities to respond to the trend for students to live alone instead of with roommates, and the growing trend for companies to provide rental housing to employees on an individual basis. Furthermore, we will continue to create dormitories that are cleaner and more modern than our competitors, and aggressively target students, women, and single workers.

In our hotel business, we will speed up the nationwide development of our Dormy Inn business, which has become an established part of our earnings structure. And in our resort business, with "The Beach Tower Okinawa" as our flagship facility, we seek to raise the appeal of our existing facilities, and to attract retiring Japanese baby-boomers to our facilities by providing "reasonable and high quality resort lifestyles" and "comforting accommodations."

In our contracted services business, we are strengthening our presence in the market through the establishment of a nationwide network of our service facilities, which is being done in part to service our own dormitory and hotel facilities. The market for office buildings and other commercial facilities maintenance is expanding as well, but fierce pricing competition exists in these job applications. Therefore we are strengthening our proposal-based marketing capability of our contracted service business to avoid being drawn into pricing competition.

With regard to our food service business, we seek to improve both the flavor and service of our hotel restaurant and independent restaurant management operations, and to strictly control variable and food costs to improve our profitability.

In our other business, we will re-examine all of the roles of companies within our Group to identify and extract further synergies.

With regard to revisions of our intermediate- to long-term management plan, and as a result of our survey and validation of the investment plans for our new business development, we will combine the traditional block lease type development methods with outright purchase and other methods which use SPCs to develop new facilities. Also we are considering the sale of some of our self-owned properties while maintaining our management agreements on these properties. Kyoritsu will thus be able to recover invested capital quickly while avoiding negative impacts upon our earnings, to secure new managed properties, to restrain growth in interest-bearing liabilities, and to improve our return on investments without damaging our financial position.

Each year our management identifies certain themes to pursue in our business strategy. And while we have chosen relatively conservative themes in recent years due to economic uncertainties of the times, last year marked a turning point, and this year we chose a strategy of "pushing aggressively forward." In line with this theme, our Group will concentrate its efforts to develop new businesses that can become new growth drivers of our earnings. Also we are conscious of "the role we are obligated to fulfill in society" and we therefore seek to create a corporate culture and develop new business areas by working together with our customers and using our business resources without being distracted by short-lived trends.

(6) Parent Company Relationship

We are not a subsidiary or an affiliate and therefore have no parent company.

(7) Other Important Management Issues

We do not identify any other important management issues other than those already discussed in this document.

3. Our Earnings and Financial Position

(1) Earnings during the Interim Period under Review

Our Consolidated Earnings during the Interim Period under Review

(Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Net Sales	30,040	31,066	3.4
Operating Income	2,897	2,800	- 3.4
Ordinary Income	2,790	2,838	1.7
Net Income	1,029	1,523	48.0

During the term under review, the Japanese economy continued to recover on the back of improvements in corporate earnings and the employment environment, strong capital investments, and the recovery in consumer spending. These factors helped to offset uncertainties about the future economy due to the potential rise in interest rates resulting from a tightening of monetary policy by the Japanese Government.

Against this backdrop, we recorded higher sales in our core dormitory business as we were able to grow the number of contracts through efforts to strengthen our relationships with universities and vocational schools, and due to the high occupancy rates in our new Dormy business (studio-type condominium dormitories). Furthermore, the high occupancy rates and contribution from various newly opened facilities (including Dormy Inn Sendai Annex, Dormy Inn Hakodate Goryokaku, Dormy Inn Akita, Shuzenji onsen(Hot Springs) Yukairou Kikuya, Hakone Kowakudani onsen(Hot Springs) Mizunoto, and Yawatano onsenkyo(Hot Springs) Morinoyu Kiranosato on a full-year basis allowed us to record growth in sales of our hotel business. In our construction business, we were able to increase our sales because of new orders for dormitories and hotels. However the opening of a number of large hotels in our resort hotel business and the subsequent increase in costs arising from these openings offset much of the strength in earnings we saw in our dormitory and business hotel businesses.

Consequently our sales rose by 3.4% year-over-year to ¥31,066 million, operating income declined by 3.4%

year-over-year to ¥2,800 million, and ordinary income grew by 1.7% year-over-year to ¥2,838 million. Net income increased by a large 48.0% year-over-year margin to ¥1,523 million due to the disappearance of the large impairment accounting loss recorded during the interim period of the previous fiscal year.

Key Data by Business Segment

<Dormitory Business (Student, Corporate, Dormy, Outsourced)> (Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Sales	16,655	17,560	5.4
Operating Income	2,832	3,278	15.8

(1) Dormitory Business

In terms of the operating environment for our student dormitories, the low birth rate trend remained in place and the number of 18 year old Japanese declined by 2.4% year-over-year to 1.31 million. However these negative factors were offset by an increase in the percentage of students entering colleges and vocational schools located in major metropolitan areas. Against this backdrop, we concentrated on strengthening our relationships with vocational schools and universities and we successfully leveraged our unique services, including “food menus coordinated to health management” and “supervised dormitories providing a safe and convenient living environment,” in our marketing efforts to cultivate new clients. As evidence of our effective marketing strategy we were able to increase the number of four year and two year colleges we served by 1.6% year-over-year to 1,700 schools, and grow the number of resident contracts by 2.1% year-over-year to 15,206 students. Consequently our student dormitory sales rose by 2.5% year-over-year to ¥10,557 million.

(2) Corporate Dormitory Business

With regards to the operating environment for our corporate dormitory business, the number of employed Japanese workers rose by a small margin of 0.3% year-over-year or 6.427 million. While Japanese corporations implemented structural reforms designed to reduce labor costs, a recovery in corporate earnings led to renewed hiring of younger workers. Furthermore, as part of widespread measures to restructure corporate fringe benefit programs, the trend to sell assets and outsource the management of dormitories and corporate housing remained firmly in place. Furthermore the needs and the roles of single employee dormitories continue to change, with employees desiring greater choice and flexibility in where they choose to live. With these trends in place during the interim period under review, we continued to implement our proposal-based solutions marketing efforts with a new focus upon securing management of employee training facilities. During the interim period, the number of companies utilizing our corporate dormitories declined by 11.2% year-over-year to 955, but the number of residents rose by 6.0% year-over-year to 5,535 and our corporate dormitory sales rose by 8.9% from the previous term to ¥4,350 million.

(3) Dormy Business

In our Dormy business we increased the supply of newly developed studio-type condominiums which can accommodate demand for housing from both students and employees. Also we saw synergies from the introduction of new student tenants in our corporate dormitories from affiliated schools and companies, as well as from employees moving out of dormitories with cafeterias. Consequently during the interim term under review, we saw a 15.6% rise from the previous interim term in residents to 3,447 and a 14.1% year-over-year increase in our sales to ¥1,488 million.

(4) Outsourced Dormitory Business

Our outsourced dormitory business is the management of dormitories owned by corporations and schools. During the interim period under review we promoted our proposal based marketing function to capture demand for outsourcing of facilities accompanying the improvement in corporate earnings and sales rose by 10.0% year-over-year to ¥1,165 million.

In our overall dormitory business we managed 367 locations (excluding outsourced dormitories) with total boarding capacity for 26,988 residents, up 1,629 year-over-year, and housed 24,188 residents, for an increase of 1,087 from the previous interim period. And while occupancy rates declined slightly by 1.5% points year-over-year, it remained at a high 89.6%. Consequently our dormitory business sales rose 5.4% year-over-year to ¥17,560 million, and our operating income rose by 15.8% from the pervious interim to ¥3,287 million.

<Hotel Business (Dormy Inn, Resorts)> (Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Sales	5,042	6,027	19.5
Operating Income	156	- 349	—

(1) Dormy Inn Business

In our Dormy Inn business, because most of our competitors have adopted strategies which pursue labor-savings by specializing in accommodations functions only, we have chosen to differentiate our operations by offering unique hospitality services which reflect the needs of our customers. Among the services sought for by our customers, we have noted strong demand for “large hot spring type bathing facilities” and “good tasting breakfasts.” And by accurately providing these features in our facilities and services we have been able to attain high occupancy rates of 84.4% (down 7.3% year-over-year) at our hotels, including three newly opened hotels. During the interim period we opened the “Dormy Inn Sendai Annex” and “Dormy Inn Hakodate Goryokaku” in July and the “Dormy Inn Akita” in August. As a result of our efforts, we saw a 31.2% year-over-year increase in sales to ¥3,177 million.

(2) Resort Business

In our resort business, we maintain the objective of providing hotels that offer “reasonable prices and high quality resort lifestyles” as well as providing “comfortable accommodations” to capture the baby-boomer generation. Our success has been reflected in the high occupancy rate, which rose 2.8% points from the previous year to 67.5%. And during the interim period under review we opened the Shuzenji onsen (Hot Springs) Yukairou Kikuya, Hakone Kowakudani onsen (Hot Springs) Mizunooto in July and Yawatanoonsenkyo (Hot Springs) Morinoyu Kiranosato in August. As a result of these efforts, we saw an 8.7% increase from the previous interim in sales to ¥2,849 million. However the opening of these three new and large facilities contributed to a front-loading of opening and other costs and our profits was negatively impacted.

Consequently in our hotel business overall, we recorded a 19.5% year-over-year increase in our sales to ¥6,027 million, but we saw an operating loss of ¥349 million due to costs associated with the opening of our new facilities.

<Contracted Services Business> (Units: million Yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Sales	6,581	5,711	- 13.2
Operating Income	266	342	28.8

The contracted services business includes maintenance services for offices and residences, rental of consigned buildings, and parking lot management. Despite a number of large redevelopment projects in the Tokyo region, pricing competition in the building maintenance industry became even more severe due to consolidation of contracted outsourcers resulting from reviews of contracts by building owners. Furthermore, we also saw cancellation of contracts and severe competition for new orders. With these adverse conditions in place, we leveraged our proposal based marketing capabilities to cultivate new clients and to capture new work for related services from our existing clients. We also worked aggressively to strengthen our capabilities in the areas of renovations and property management. Furthermore we also endeavored to raise our competitiveness in the building maintenance business through strict cost management and through improvements in productivity.

Due in part to the cancellation of contracts for rental of consigned building, our office building management business sales declined by 27.8% year-over-year to ¥3,165 million. At the same time our residence management business sales rose by 15.8% year-over-year to ¥2,545 million. And while our contracted services business sales declined by 13.2% year-over-year to ¥5,711 million, our operating income actually rose by 28.8% year-over-year to ¥342 million.

<Food Service Business (Restaurants, Outsourced Cafeterias, Hotels and Restaurants)> (Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Sales	1,967	1,855	- 5.7
Operating Income	- 33	- 74	—

Our food services business was negatively impacted by the continued high prices of meat products caused by mad cow disease and bird influenza, and the overall operating environment remained unstable. With these trends in place, we continued to take steps to restructure this business, including eliminating contracts for unprofitable facilities, and cultivating management contracts for new restaurants. In sum, our food service business sales declined by 5.7% year-over-year to ¥1,855 million, and we recorded an operating loss of ¥74 million.

<Construction Business> (Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Sales	1,963	5,378	173.9
Operating Income	140	196	40.5

In our construction business, the large influx of foreign and domestic capital into the Japanese real estate market to take advantage of the spread between yields on financial instruments and income real estate caused a "real estate bubble" in parts of central Tokyo and other major metropolitan areas, which gradually spread to other regions as well. Against this backdrop, we continued to focus upon the development of studio-type condominium dormitories and hotels to capture strong demand in the Tokyo region. Consequently our construction business sales rose 173.9% year-over-year to ¥5,378 million and our operating income grew by 40.5% year-over-year to ¥196 million.

<Other Business> (Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Sales	1,542	1,857	20.4
Operating Income	75	66	- 11.8

Our other business is comprised of the wellness life service (management of senior citizen housing), rental property brokerage service, advertising agency service, comprehensive human resources service, and financing services. This division's sales rose 20.4% from the previous interim period to ¥1,857 million, but operating income declined by 11.8% year-over-year to ¥66 million.

(2) Financial Position (Units: million yen)

	Previous Interim FY3/06	Current Interim FY3/07	Change (%)
Cash Flows from Operating Activities	- 789	- 2,338	- 1,549
Cash Flows from Investing Activities	- 8,588	1,532	10,121
Cash Flows from Financing Activities	4,099	- 1,450	- 5,549
Cash and Equivalents at End of Interim	8,697	10,517	1,819

Review of Our Consolidated Cash Flows during the Interim Period

During the interim period under review, our consolidated cash and equivalents increased by ¥1,819 million from the previous interim period to ¥10,517 million. We provide details of our cash flows below.

(Cash Flows from Operating Activities)

Advances received as deposits for our dormitory business tend to rise during the second half of the fiscal year and therefore we saw a large decline in these advances during the interim period. In our development business we noted an increase in payments to acquire inventories along with a reduction in our accounts payables, and our cash flows from operating activities declined by ¥1,549 million year-over-year to a ¥2,338 million net outflow.

(Cash Flows from Investing Activities)

During the interim period under review, significant payments for new hotel and dormitory facilities and for replacement of various items at our existing facilities were partially offset by income arising from the liquidation of tangible fixed assets and investment securities. Consequently our cash flow from investing activities increased by ¥10,121 million from the net outflow seen during the previous year's interim period to a net inflow of ¥1,532 million.

(Cash Flows from Our Financing Activities)

During the interim term, we saw a large inflow from the issuance of a convertible bond, but we also saw an outflow resulting from the regularly scheduled repayment of debts and the early repayment of long-term debt accompanying the liquidation of tangible fixed assets. Therefore our cash flow from financing activities declined by ¥5,549 million to a net outflow of ¥1,450 million.

Trends in our cash flow indicators for our parent and group companies are listed below.

	Interim FY3/05	FY3/05	Interim FY3/06	FY3/06	Interim FY3/07
Equity Ratio (%)	25.4	24.3	25.0	26.0	26.0
Capital Adequacy Ratio, Market Capitalization Based (%)	32.3	29.3	37.7	61.1	33.0
Debt Recovery Period (years)	—	5.7	—	7.7	—
Interest Rate Coverage Ratio	—	13.0	—	10.6	—

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

2. Each indicator is calculated as follows:

(1) Equity Ratio: (Net Assets – Stock Options – Minority Interests) / Total Assets

(2) Capital Adequacy Ratio: Market Capitalization / Total Assets

(Market capitalization = Term end share price X Term end shares outstanding, excluding treasury stock)

(3) Debt Recovery Period: Interest Bearing Debt / Operating Cash Flow

(4) Interest Coverage Ratio: Operating Cash Flow / Interest Payments

3. Cash flows from operating activities is based on our operating cash flows.

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

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

(4) Earnings Projections

(Consolidated) (Units: million yen)

	Previous Term FY3/06	Full Year Projections FY3/07	Change (%)
Net Sales	63,084	69,400	10.0
Operating Income	4,611	5,430	17.8
Ordinary Income	4,823	5,310	10.1
Net Income	2,010	2,790	38.7

(Parent) (Units: million yen)

	Previous Term FY3/06	Full Year Projections FY3/07	Change (%)
Net Sales	43,249	49,000	13.3
Operating Income	3,591	4,260	18.6
Ordinary Income	3,962	4,360	10.0
Net Income	1,610	2,430	50.8

Supported by strong Japanese corporate earnings and strong consumer spending trends, the employment situation in Japan for younger workers is improving dramatically on the back of strong demand to hire new graduates by Japanese companies. But despite this favorable backdrop, uncertainties arising from the tightening of monetary policy by the Japanese Government cloud the economic horizon. With these trends in mind, Kyoritsu Maintenance strives to increase its competitive advantage and to fortify its management and earnings structure.

With regard to our main dormitory business, our occupancy rate in April, which is the key to predicting our earnings for the coming year, continued to trend strongly at 97.1%. And on the back of our opening of facilities in Hiroshima, we will open our first facility in Kumamoto in the coming term in addition to expanding our network of facilities in the Kanto region. In response to the strong demand in the market we plan to open 15 new facilities, adding a total of 1,089 rooms to our capacity and bringing the total number of facilities and rooms under our management to 367 and 26,988 during the fiscal year March 2007. These additions reflect our unrelenting efforts to keep pace with the needs of our customers. With regards to our marketing function, we will continue to fortify our relationships with both private and public universities and schools, and use our unique services, including our cafeterias which serve healthy foods, to cultivate new customers in search of dormitory facilities with cafeterias. And in the area of corporate dormitories, we will continue to provide proposal based solutions to answer the needs of Japanese corporations seeking to "reduce their fixed costs by converting them to variable costs" through the use of outsourcing, and to capture new demand for outsourcing of corporate training facilities as well. We will also accelerate development activities to increase our supply of dormitories in the major metropolitan areas to capture the strong demand there.

With regards to our hotel business, we have been successful in maintaining high occupancy rates in our Dormy Inn Hotel business due to our provision of large hot spring type bath facilities and better food services. In our resort hotel business, our hotels offer a high level of "comfort" to capture the impending wave of baby-boomer generation Japanese who are beginning to reach retirement age. Furthermore in our Dormy Inn Hotel business we will "expand our capabilities while maintaining our high occupancy rates," and in our resort hotel business we seek to raise our occupancy rates by cultivating new customers.

In our contracted services business, severe market conditions remain in place due to fierce pricing competition brought on by reviews of contracts by building owners. This has been compounded by the trend for cancellation of contracts by building owners seeking to consolidate the number of contractors. In response to these conditions, we sought to leverage our proposal based marketing and raise our competitive position by increasing our technical expertise to make our services more attractive and to gain an even higher level of customer trust. Furthermore we will leverage our efforts to provide our hotel business with support services, which in turn will allow us to establish a nationwide network for our building maintenance business.

With regards to our food service business, we will continue to focus our attention on improving our profit structure through close management of variable costs. The Kyoritsu Group seeks to raise the efficiency of our operations of restaurants at our nationwide network of hotels, and to strengthen our operational know-how related to restaurants located at golf courses, as well as to develop business with restaurants outside of our Group.

In our construction business, we will increase the supply of our Dormy (studio-type condominiums) to meet the strong demand for student and corporate dormitories in the Tokyo region, as well as increasing the supplies of our hotel facilities.

Our other business is trending in line with our expectations.

Consequently during the current fiscal year we expect our sales to grow by 10.0% year-over-year to ¥69,400 million, ordinary income to rise by 10.1% year-over-year to ¥5,310 million, and net income to increase by a large 38.7% year-over-year to ¥2,790 million.

(4) Business Risks

Below we note the risk factors that may be important considerations when considering an investment in our Company. We consider these factors to be the main risks existing during the course of our operations during the term under review.

1. Our Sales Conditions

In our core dormitory business, we operate and manage various facilities with the goal of providing a highly relaxing environment and experience to our residents, making them feel as if they were in their own home. In addition to our efforts to strengthen our relationships with various schools to provide their students room and board, we provide flexible housing solutions to Japanese corporations, whose employee numbers are declining rapidly, by supplying them with only the number of rooms they need to match the number of employees seeking housing. But because we maintain leases with the owners of facilities which we use as dormitories, we are able to provide flexible solutions as mentioned above. At the same time we are at risk of being negatively impacted by the cancellation of resident contracts by schools, and contracts by corporations due to restructuring of their work force.

With regards to our hotel business, we have been able to insulate ourselves from large fluctuations in occupancy rates at our Dormy Inn Hotels by providing various unique services and amenities such as extended-stay programs. However we are still vulnerable to fluctuations and volatility in corporate demand caused by changes in the economy.

In our resort hotel business, we are also subject to the volatility in occupancy rates arising from the weather related calamities such as typhoons and from fluctuations in the economy. Therefore our earnings may also be severely impacted by these events.

Regarding our food services business, we are vulnerable to changes in consumer demand for our stand-alone restaurant management operations, and may also incur loss of business resulting from cancellations of outsourcing contracts for management of restaurants and cafeterias in hotels and other facilities. Therefore our earnings would be impacted by these changes.

2. Financial Conditions

Our Group endeavors to maintain growth in both sales and profits as outlined in our intermediate- to long-term management strategy (five year), but the attainment of growth is premised upon our ability to secure assets which can be developed into dormitories and hotels.

In the development of these assets, we take our financial standing into consideration and seek to make the most efficient use of all our resources by utilizing various financial techniques to yield the biggest returns. However our earnings are at risk of being negatively impacted by potential stagnation in the real estate market, volatility in asset prices, declines in cash flows resulting from our existing assets, and inability to proceed as expected with development of assets due to volatility in the financial markets.

3. Legal Regulations and Quality Control

Our Group provides both services and goods and we are subject to various rules and regulations relating to food safety and sanitation, personal information privacy security, hotel and fire laws, and a host of other safety related regulations and laws.

Therefore our Group maintains compliance structures, risk committees and internal control structures, which perform routinely scheduled checks to ensure that we are in strict compliance with the various laws and regulations that pertain to our businesses. But despite our best efforts to prevent accidents, we still run the risk of losing our customers' trust in the highly unlikely event that an incident such as food poisoning and leakage of personal information were to occur and our earnings maybe profoundly impacted.

4. Regarding the Implementation of "Asset Impairment Accounting"

On August 9, 2002 the Business Accounting Council announced a report entitled "White Paper on the Accounting Standards for Fixed Asset Impairment Accounting" and the policy paper entitled "Policy Statement for the Implementation of Accounting Standards for Fixed Asset Impairment Accounting" was released on October 31, 2003.

In response to these moves within the accounting industry, we are now required to implement asset impairment accounting with regards to our tangible and intangible fixed assets, including investments, other assets and leases. Therefore both our earnings and financial position may be profoundly impacted by the implementation of asset impairment accounting when there are dramatic fluctuations in the economy and financial markets.

5. Important Contracts

334 of the 367 dormitories we operate, and another 25 facilities we operate are leased by our company from the owners of the assets under long-term lease agreements ranging from 10 to 20 years.

Of these facilities, 13 maintain stipulations in the lease contract where we can not cancel the lease agreement before the end of the lease. Therefore weak trends in occupancy rates of these managed assets could negatively affect the profitability of these assets, which in turn could negatively impact our overall earnings and financial position.

Moreover, the balance of rent remaining under these irrevocable lease contracts stood at ¥8,926 million as of end September 2006.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Units: million yen

Item	Previous Interim End (September 30, 2005) Value		Share	Current Interim End (September 30, 2006) Value		Share	YY Change	Last FY3/06 (March 31, 2006) Value		Share
(Assets)										
I Current assets										
1 Cash and deposits		9,394			11,129				12,898	
2 Notes and accounts receivables		2,346			2,515				3,642	
3 Inventories		2,270			3,878				1,298	
4 Others		4,765			5,458				5,566	
Doubtful account reserves		-50			-52				-55	
Total current assets		18,727	22		22,929	23	4,201		23,350	24
II Fixed assets										
1 Tangible fixed assets										
(1) Buildings and structures	20,916			19,980				21,049		
(2) Land	17,174			19,114				19,071		
(3) Structures in trusts	—			6,177				—		
(4) Land in trust	—			5,066				—		
(5) Others	2,711	40,803		5,345	55,684		14,881	4,717	44,838	
2 Intangible fixed assets										
(1) Consolidated account adjustment	120			—				111		
(2) Goodwill	—			102				—		
(3) Others	2,158	2,278		2,486	2,588		309	2,225	2,337	
3 Investments and other assets										
(1) Investment securities	9,460			4,543				12,859		
(2) Deposits	6,381			6,235				6,346		
(3) Lease deposits	5,049			4,834				4,835		
(4) Others	3,805			4,537				3,557		
Doubtful account reserves	-106	24,591		-95	20,054			-93	27,506	
Total fixed assets		67,672	78		78,326	77	10,654		74,681	76
III Deferred assets		20	0		42	0	21		14	0
Total assets		86,421	100		101,298	100	14,877		98,047	100

Units: million yen

Item	Previous Interim End (September 30, 2005) Value	Share	Current Interim End (September 30, 2006) Value	Share	YY Change	Last FY3/06 (March 31, 2006) Value	Share
(Liabilities)							
I Current liabilities							
1 Notes and accounts receivable	1,422		1,637			3,622	
2 Short term debt	17,982		14,193			21,668	
3 Redeemable portion of bond within one year	1,640		1,440			1,440	
4 Accrued corporate and other tax	1,029		1,770			810	
5 Deposits	8,281		9,762			11,130	
6 Bonus reserves	728		692			991	
7 Bonus reserves for directors	—		60			—	
8 Compensation for completed work reserves	3		67			45	
9 Others	2,860		3,527			4,330	
Total current liabilities	33,948	39	33,152	33	-796	44,039	45
II Fixed liabilities							
1 Bonds	7,951		14,203			5,061	
2 Long-term debt	14,665		18,554			15,536	
3 Long-term deposits	4,516		4,180			4,221	
4 Retirement benefit reserves	960		1,015			980	
5 Director retirement reserves	350		377			374	
6 Others	2,256		3,354			2,141	
Total fixed liabilities	30,699	36	41,685	41	10,985	28,316	29
Total liabilities	64,648	75	74,837	74	10,189	72,355	74
(Minority interests)							
Minority interests	158	0	—	—	-158	179	0
(Shareholders' equity)							
I Capital	3,515	4	—	—	-3,515	5,051	5
II Capital reserves	4,323	5	—	—	-4,323	5,857	6
III Retained earnings	13,900	16	—	—	-13,900	14,680	15
IV Valuation gains on securities	172	0	—	—	-172	249	0
V Treasury stock	-298	0	—	—	298	-326	0
Total shareholder's equity	21,613	25	—	—	-21,613	25,512	26
Total liabilities, minority interests, and shareholder's equity	86,421	100	—	—	-86,421	98,047	100
(Net assets)							
I Shareholders' equity							
1 Capital	—	—	5,120	5	5,120	—	—
2 Capital reserves	—	—	5,926	6	5,926	—	—
3 Retained earnings	—	—	15,552	15	15,552	—	—
4 Treasury stock	—	—	-329	0	-329	—	—
Total shareholders' equity	—	—	26,270	26	26,270	—	—
II Valuation and conversion gains							
Valuation gains on securities	—	—	27	0	27	—	—
Gains on deferred hedges	—	—	2	0	2	—	—
Total valuation and conversion gains	—	—	29	0	29	—	—
III Minority interests	—	—	159	0	159	—	—
Total net assets	—	—	26,460	26	26,460	—	—
Total liabilities and net assets	—	—	101,298	100	101,298	—	—

(2) Consolidated Income Statement

Units: million yen

		Previous Interim (from April 1, 2005 to September 30, 2005)			Current Interim (from April 1, 2006 to September 30, 2006)			YY Change	FY3/06 (from April 1, 2005 to March 31, 2006)		
	Item	Value		Share %	Value		Share %		Value		Share %
Ⅰ	Net sales		30,040	100.0		31,066	100.0	1,025		63,084	100.0
Ⅱ	CGS		23,744	79.0		24,296	78.2	551		51,301	81.3
	Gross income		6,295	21.0		6,770	21.8	474		11,783	18.7
Ⅲ	SG&A		3,398	11.3		3,969	12.8	571		7,172	11.4
	Operating income		2,897	9.7		2,800	9.0	△ 97		4,611	7.3
Ⅳ	Non-operating income										
1	Interest received	13			11				39		
2	Dividend received	49			205				188		
3	Profit on marketable securities sale	122			65				341		
4	Deposit returns	43			71				149		
5	Minority interest profit	0			17				5		
6	Others	49	278	0.9	184	556	1.8	278	233	957	1.5
Ⅴ	Non-operating expense										
1	Interest payment	265			364				513		
2	Sales discounts	39			41				—		
3	Others	80	385	1.3	112	518	1.7	132	231	745	1.2
	Ordinary income		2,790	9.3		2,838	9.1	48		4,823	7.6
Ⅵ	Extraordinary income										
1	Profit on marketable securities sale	—	—	—	38	38	0.1	38	208	208	0.3
Ⅶ	Extraordinary loss										
1	Loss adjustment from previous term	—			—				215		
2	Loss on fixed asset sale	—			—				36		
3	Impairment accounting loss	974			—				1,012		
4	Pension withdrawal loss	—			—				335		
5	Payment penalties	—	974	3.3	48	48	0.2	△ 926	—	1,599	2.5
	Net income before taxes		1,815	6.0		2,828	9.1	1,012		3,432	5.4
	Corporate, resident, and enterprise taxes	969			1,729				1,746		
	Tax adjustments	△ 207	761	2.5	△ 452	1,276	4.1	515	△ 369	1,377	2.1
	Minority interest profit		24	0.1		27	0.1	3		44	0.1
	Net income		1,029	3.4		1,523	4.9	494		2,010	3.2

(3) Consolidated Cash Flow Statement

Units: million yen

Items	Previous Interim (from April 1, 2005 to September 30, 2005)	Current Interim (from April 1, 2006 to September 30, 2006)	YY Change	FY3/06 (from April 1, 2005 to March 31, 2006)
	Value	Value	Value	Value
Ⅰ Cash flows from operating activities				
Net income before taxes and other adjustments	1,815	2,828		3,432
Depreciation and amortization	753	940		1,634
Impairment loss	974	—		1,012
Change in bonus reserves	-156	-298		—
Interest and dividends received	-63	-217		-227
Interest payments	265	364		513
Liquidation of marketable securities	-123	-103		-550
Change in receivables	1,157	992		-138
Change in accounts due	190	688		-453
Change in inventories	-751	-2,580		221
Change in accounts payable	-456	-2,005		1,736
Change in prepayments received	-2,083	-1,383		877
Change in deposits	-879	-787		—
Change in deposits from customers	-8	-117		119
Bonus payments	-156	-164		-156
Others	472	445		621
Subtotal	949	-1,398	-2,348	8,643
Interest and dividends received	60	143		202
Interest payments	-273	-365		-554
Corporate tax payments	-1,526	-717		-2,435
Cash flows from operating activities	-789	-2,338	-1,549	5,855
Ⅱ Cash flows from investing activities				
Marketable securities purchases	-3,516	-1,615		-8,910
Liquidation of marketable securities income	1,719	4,465		4,374
Acquisition of tangible fixed assets	-4,511	-8,522		-9,031
Tangible fixed assets liquidation income	—	7,825		98
Intangible fixed asset acquisition	—	-376		-235
Long term prepayments	-219	-264		-366
Loans extended	-1,117	207		-704
Loans recovered	1,000	-220		701
Lease deposits paid	-2,387	—		-3,174
Lease deposits recovered	543	169		1,346
Others	-99	-135		-58
Cash flows from investing activities	-8,588	1,532	10,121	-15,961
Ⅲ Cash flows from financing activities				
Net change in short-term debt	8,405	-4,866		11,385
Net change in long-term debt	560	2,666		6,210
Repayment of long-term debt	-4,542	-8,263		-8,614
Income from bond issued	500	9,995		1,491
Payment for bond redemption	-570	-720		-1,590
Dividend payment	-217	-222		-418
Dividend payment to minority shareholder	-10	-18		-10
Others	-24	-21		-86
Cash flows from financing activities	4,099	-1,450	-5,549	8,365
Ⅳ Translation gains for cash and equivalents	—	—	—	—
Ⅴ Net change in cash and equivalents	-5,278	-2,256	3,022	-1,739
Ⅵ Cash and equivalents at term start	13,976	12,236	-1,739	13,976
Ⅶ Change in cash and equivalents accompanying changes in consolidation	—	537	537	—
Ⅷ Cash and equivalents at term end	8,697	10,517	1,819	12,236

(4) Segment Information

a. Information by Business Segment

Previous Interim (from April 1, 2005 to September 30, 2005) Units: million yen

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales									
(1) External sales to clien	16,632	5,014	4,577	1,043	1,757	1,015	30,040	—	30,040
(2) Internal sales Sales and transfers	22	28	2,003	923	206	527	3,712	3,712	—
Total Sales	16,655	5,042	6,581	1,967	1,963	1,542	33,753	3,712	30,040
Operating expenses	13,822	4,886	6,315	2,000	1,823	1,467	30,316	3,173	27,142
Operating income	2,832	156	266	-33	140	75	3,436	539	2,897

Current Interim (from April 1, 2006 to September 30, 2006) Units: million yen

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales									
(1) External sales to clien	17,531	5,983	4,005	990	1,324	1,170	31,004	61	31,066
(2) Internal sales Sales and transfers	29	44	1,706	864	4,054	686	7,386	7,386	—
Total Sales	17,560	6,027	5,711	1,855	5,378	1,857	38,390	7,324	31,066
Operating expenses	14,282	6,377	5,368	1,929	5,181	1,791	34,930	6,665	28,265
Operating income	3,278	-349	342	-74	196	66	3,459	659	2,800

FY3/06 (from April 1, 2005 to March 31, 2006) Units: million yen

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales									
(1) External sales to clien	31,722	10,275	9,354	1,911	7,704	2,116	63,084	—	63,084
(2) Internal sales Sales and transfers	44	135	3,923	1,917	1,866	1,216	9,103	9,103	—
Total Sales	31,767	10,410	13,277	3,828	9,571	3,333	72,188	9,103	63,084
Operating expenses	26,962	10,110	12,699	3,904	9,207	3,172	66,056	7,583	58,473
Operating income	4,804	299	577	-75	364	160	6,131	1,520	4,611

5. Consolidated Sales Overview

The table below shows sales results in each of our business segments at the end of the interim period. Units: million yen

Business segments		Previous Interim (as of September 30, 2005)	Current Interim (as of September 30, 2006)	YY Change	FY3/06 (as of March 31, 2006)
Dormitories		16,655	17,560	5.4 %	31,767
	Student	10,296	10,557	2.5 %	18,993
	Corporate	3,995	4,350	8.9 %	7,968
	Dormy	1,303	1,488	14.1 %	2,708
	Outsourced	1,058	1,165	10.0 %	2,097
Hotels		5,042	6,027	19.5 %	10,410
	Dormy Inn	2,421	3,177	31.2 %	5,357
	Resort	2,621	2,849	8.7 %	5,052
Contracted services		6,581	5,711	-13.2 %	13,277
	Office building management	4,383	3,165	-27.8 %	7,256
	Residential property management	2,197	2,545	15.8 %	6,020
Food service		1,967	1,855	-5.7 %	3,828
Construction		1,963	5,378	173.9 %	9,571
Other		1,542	1,857	20.4 %	3,333
Consolidated eliminations		-3,712	-7,629	—	-9,103
Total		30,040	31,066	3.4 %	63,084

(Note) 1. The figures above do not include consumption or other taxes

6. The table below shows our capacity, resident contracts, and occupancy rates

	Previous Interim			Current Interim			FY3/06		
	Capacity	Resident Contracts	Occupancy Rates (%)	Capacity	Resident Contracts	Occupancy Rates (%)	Capacity	Resident Contracts	Occupancy Rates (%)
Student Dormitories	na	14,898	na	na	15,206	na	na	15,206	na
Corporate Dormitories	na	5,221	na	na	5,535	na	na	6,641	na
Dormy Inn	3,120	2,982	95.6	3,584	3,447	96.2	3,338	3,289	98.5
Total	25,359	23,101	91.1	26,988	24,188	89.6	25,899	25,136	97.1

Kyoritsu Maintenance Co., Ltd.

Stock Code: 9616

Advance Building 4-7-7 Sotokanda, Chiyoda-ku, Tokyo

Contact: Investor Relations Department
Phone: +81-3-5295-7875
Facsimile: +81-3-5295-2056
Email: hk@kyoritsugroup.co.jp