Kyoritsu Maintenance Co., Ltd.

(Securities Code:　9616)

Interim Period Fiscal Year March 2006

Consolidated Results Update

November 2005

Interim Period Fiscal Year March 2006 Consolidated Earnings Results

November 15, 2005

Company Name: Kyoritsu Maintenance Co., Ltd. Stock Exchange: Tokyo Stock Exchange
Company Code: 9616 Homepage: http://www.kyoritugroup.co.jp
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U.S. GAAP not adopted

1. Interim Period FY3/06 Consolidated Earnings (from April 1, 2005 to September 30, 2005)

(1) Consolidated Earnings (Figures of less than five are rounded down, more than five are rounded up.)

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
Interim 9/05	30,040	10.2	2,897	15.2	2,790	12.6
Interim 9/04	27,261	4.8	2,516	5.6	2,478	-4.1
FY3/05	58,014		4,408		4,412	

	Net Income		EPS	Fully diluted EPS
	Million Yen	%yy	Yen	Yen
Interim 9/05	1,029	-26.0	92.20	78.61
Interim 9/04	1,390	0.6	124.48	121.94
FY3/05	2,343		196.40	179.09

1) Contributions from equity accounting method: ¥0 in Interim FY3/06, ¥1 million in Interim FY3/05, -¥3 million in FY3/05
2) Average number of shares: 11,165,312 in Interim FY3/06, 11,168,148 in Interim FY3/05, 11,167,173 in FY3/05
3) Changes in accounting methods: NA
4) Year over year comparisons for sales, operating income, ordinary income, and net income are all made with the same period during the previous year.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Book Value Per Share
	Million Yen	Million Yen	%	Yen
Interim 9/05	86,421	21,614	25.0	1,934.69
Interim 9/04	78,182	19,893	25.4	1,781.31
FY3/05	85,620	20,788	24.3	1,848.48

Shares Issued: 11,171,600 at end Interim FY3/06, 11,167,389 at end Interim FY3/05, 11,165,120 at end FY3/05

(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
Interim 9/05	-789	-8,589	4,100	8,697
Interim 9/04	-814	-5,840	4,991	10,209
FY3/05	6,884	-10,727	5,948	13,976

(4) Consolidated Subsidiaries: 9 companies; Non-Consolidated Subsidiaries: 1
Companies Held Under Equity Accounting Method: 0
Companies Not Accounted for Under Equity Accounting Method: 1
(5) Changes in the Scope of Consolidation: NA

2. Consolidated Earnings Projections for FY3/06 (from April 1, 2005 to March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Full Year	62,600	4,630	1,740

(Note: Net income per share projections for the full year: ¥142.42)
Note: While we base our earnings projections upon the most accurate information available at the time of this publication, unforeseen factors may cause our actual performance to deviate from these projections.

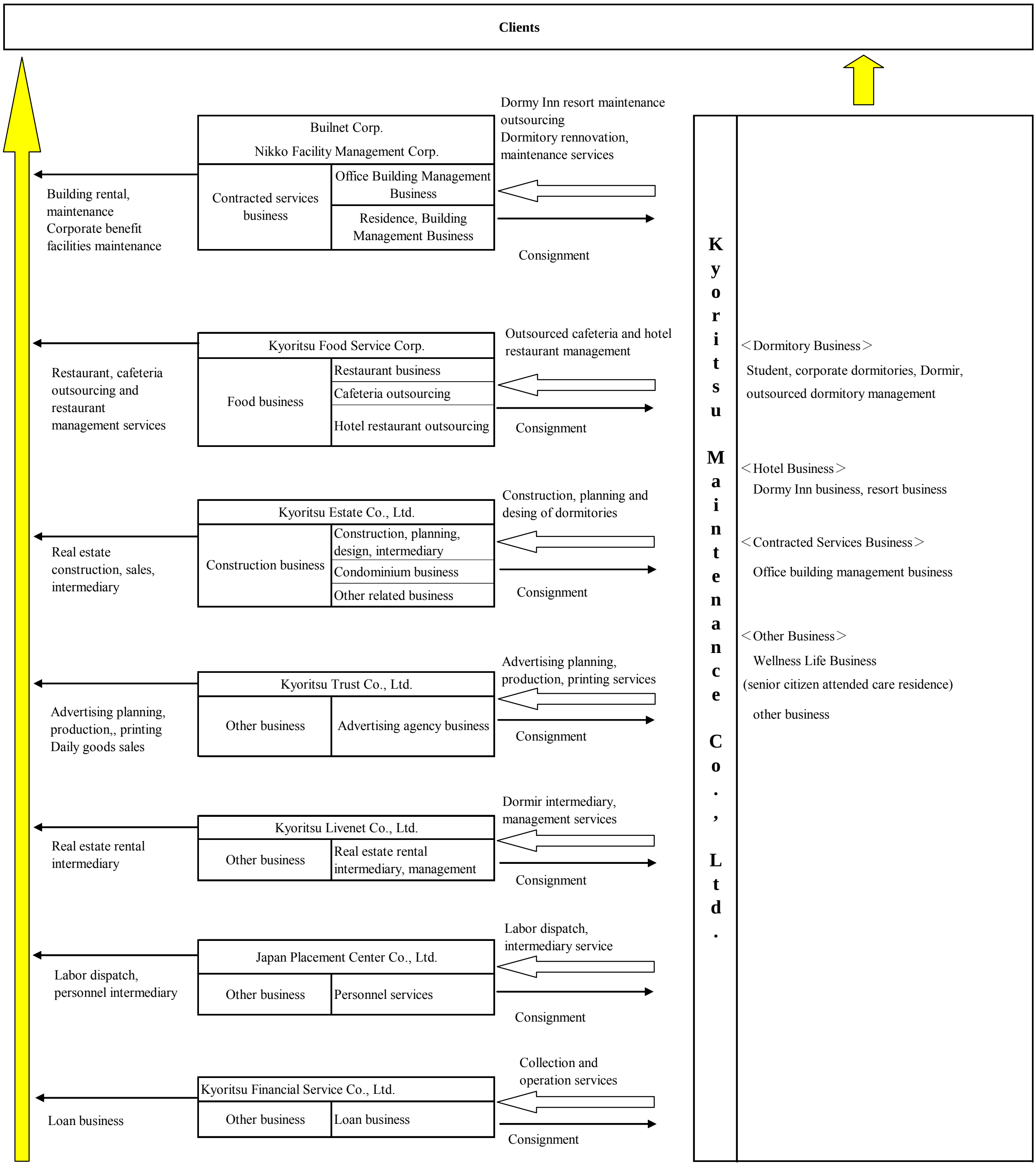
1. Corporate Structure

The Kyoritsu Maintenance Group consists of the parent company, 10 subsidiaries, and five affiliated companies. Our main businesses consist of student and company dormitories, hotels, contracted services, food service, and real estate development business.

The details of which of our various subsidiaries and affiliates are involved in which business segments are listed below.

Business Segment	Business Description	Participating Companies
Dormitories	Student and employee dorms, and outsourced dormitory management	Kyoritsu Maintenance Co., Ltd.
Hotels	Long-term business hotels (Dormy Inns) and resort hotels (Dormy Villas and Wellness-no-Mori)	Kyoritsu Maintenance Co., Ltd. Two other companies
Contracted Services	Office building management business Residence management business	Builnet Corporation Nikko Facility Management Co., Ltd.* Kyoritsu Maintenance Co., Ltd. Two other companies
Food Service Business	Dining-out 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 development business	Kyoritsu Estate Co., Ltd.
Other Businesses	Wellness Life Business (senior citizen residence management and operations) Brokerage and management of rental real estate Advertising business Comprehensive human resources business Financing 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.

Schematic Diagram of Our Operations



2. Management Policy

Our Basic Management Policy

The goal of the Kyoritsu Group's management policy since our founding has been to contribute to the development of society via our services, which include themes such as "dining," "living," and "comfort," as well as placing top priority on client satisfaction. We constantly seek to raise the quality of our services and to operate a modern version of the "traditional Japanese boarding house" (*Geshukuya*), "providing heart-warming comfort to our customers" to help make their lives more enjoyable.

Furthermore, as a specific part of our business strategy, we aim to further expand and to raise the profitability of our core dormitory business, to expand into related business fields, and to establish new businesses that can become drivers of our earnings in the future. Finally, we seek to fortify our corporate structure to improve the quality of our services, and to be able to contribute to the prosperity of our clients, our business partners, and our community.

Our Basic Policy Regarding the Distribution of Profits

We treat the capital contributed by shareholders preciously, and place a high priority on the distribution of profits in line with our earnings performance in the form of dividends. We try to maintain a stable level of dividends over the longer term and have established a target payout ratio of 20%. During recent years we have been able not only to raise our dividend, but also to offer stock splits, effectively raising the overall dividend payout. In the future we will maintain our target payout ratio at a base level of 20%, but will remain flexible in our aim to return profits to shareholders and seek to maintain a stable level of dividend payments over the longer term. At the same time, we also seek to retain a level of earnings that will allow our management the freedom to make necessary capital investments in response to changes in the market and to develop new businesses when appropriate.

Benchmarks of Our Medium-to-Longer-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 dormitory market and to be able to stably grow our dormitory business, while increasing the synergies within our group.

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

1. Since our Company's founding, we have recognized the importance of strengthening our cooperation with universities to improve the student dormitory part of our business and to expand our market share. At the same time we will accelerate the pace of our development and increase the resources we allocate to this business area.
2. In our company dormitory business, we see a trend towards Japanese corporations abandoning the operation of their own dormitories as one part of their restructuring of corporate benefits, particularly in the Tokyo metropolitan region. In response to this trend, we seek to increase our share of the single-employee housing market and to capture demand for outsourcing services to maintain dormitories and other corporate housing.

3. Our Dormy Inn business (extended stay 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 strengthen our earnings structure.
4. In our resort business, the large “Beach Tower Okinawa” facility opened in July 2004 has been in operation for a full year as our flagship resort. In the future we will open new facilities designed to achieve harmony with the surrounding natural environment, which is the theme for our next generation of resorts.
5. Regarding our contracted services business, we will fortify and expand our nationwide network by raising the level of our technical expertise and the attractiveness of our services.
6. By optimizing the distribution of our management resources we seek to restrain increases in the amount of capital employed, as well to increase the liquidity of our real estate holdings and to promote the shift of assets off our balance sheet, thereby strengthening our overall financial position.

Additionally, we have established the following as management goals:

1. Consolidating back office and other non-sales functions, and both streamlining and speeding up our operations in general.
2. Strengthening our IR function.

Our Group is currently reviewing our medium-to-longer-term management plan as mentioned above, and has established goals of 5% growth in ordinary income in the fiscal year March 2006, and 5% to 10% growth in net sales and 10% growth in ordinary income in the fiscal year March 2007. During fiscal year March 2009, the final year of our medium-term management plan, we target an ordinary income ratio of 8%, ROE of 14% and ROA of 7% at the consolidated level.

Issues Facing Our Company

In our efforts to implement our “medium-to-long-term management plan” cited earlier and to further raise our shareholder value, the Kyoritsu Group maintains as core principles the beliefs that “our customers are our primary concern” and “helping our customers” as the basis 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 management resources efficiently. Specifically, we strive to differentiate our “services” and “products” by raising the attractiveness of our facilities and the services we provide to the large number of students flowing into the Tokyo metropolitan area. Furthermore, we seek to fortify our cooperation with vocational schools and to form relationships with major universities nationwide to expand our operating territory. We will take advantage of the approaching wave of business we see coming from the management outsourcing and disposal of corporate housing facilities, and will strengthen our proposal-based marketing (BEAS Support System) to cultivate new customers by helping them to solve problems in managing their employee benefit facilities. Using the know-how developed in our dormitory business as a base for our Dormy business (studio-type dormitories that can be rented on a per-unit basis as needed rather than owned), we will increase our supply of these facilities to respond to the trend for students to live alone instead of with roommates, and for companies to provide individual rental contracts for their corporate dormitories. Furthermore, we will create dormitories that are cleaner and more modern than the traditional image of such facilities, thus aggressively targeting students, women, and single workers, and broadening our base of individual clients.

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 opened in July 2004, we seek to raise the appeal of our existing facilities, and to attract Japanese baby boomers to facilities like “Dormy Villa Hakone” for its “reasonable and high quality resort life space” and with the theme of “comforting accommodations.” Our ultimate goal is to maintain high capacity utilization rates and high profits.

In our contracted services business, we are expanding our presence in the market through the nationwide development of our dormitory and hotel facilities and particularly in outlying regions. The market for office buildings and other commercial facilities is expanding, although there is fierce pricing competition. We are strengthening our proposal marketing capability in our contracted service business.

With regard to our food service business, we seek to improve the flavor and service of our hotel restaurant and independent restaurant operations, and to closely manage variable and food costs to improve our profitability.

In other business, we will re-examine all of the roles of our entire group to identify and build further synergies.

As a result of our survey and validation of the investment plans for our new business development, we combine outright purchase with SPCs for block lease-type developments, and we are also considering the sale of some of our self-owned properties with management agreements to investors. Kyoritsu is thus able to recover funds while avoiding negative impacts on our earnings, secure several managed properties, restrain growth in interest-bearing debt, and improve our return on investments without damaging our financial position.

About five years ago, when the Japanese economy was still in the doldrums, we cited ideas such as “remaining calm,” “composure,” and “germination” as defensive themes for our management. However, we view last year as a turning point leading, and this year marks the beginning of a new period, the dawning of an even more successful future for the entire Kyoritsu Group. We recognize that our businesses are built upon the concept that “we fill the role that society asks of us.” Therefore we seek to create a new corporate culture and develop new business areas by working together with our customers and using our own management resources without being distracted by short-lived market trends.

Implementation of Our Fundamental Philosophy Regarding Corporate Governance

<Our Fundamental Philosophy Regarding Corporate Governance>

Kyoritsu always places the interests of our customers first in the provision of all our services, and our management seeks to contribute to the development of a prosperous and healthy society by implementing a rigorous and responsible decision -making process. By fulfilling this mandate and responsibility in our path to pursuing prolonged growth and maximizing shareholder returns, Kyoritsu recognizes that a strong corporate governance policy is an important issue for our management.

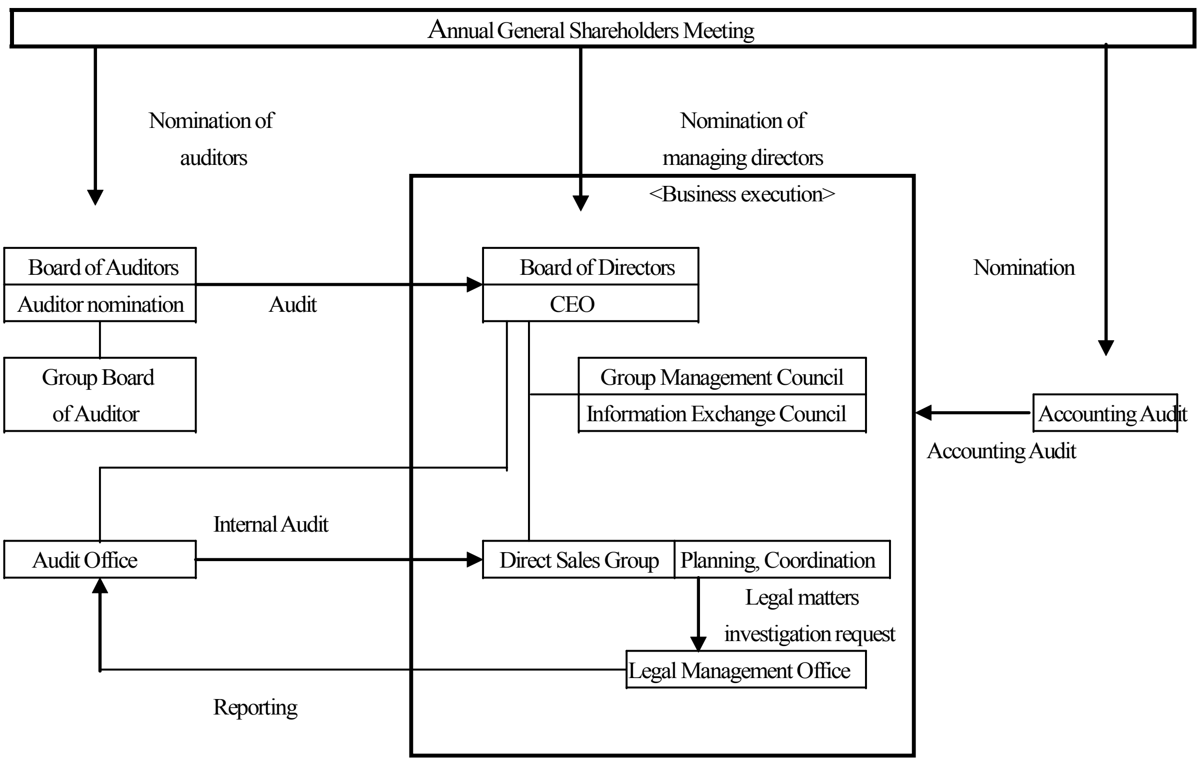
<Status of Our Corporate Governance Implementation>

Because we hold board of director and Group information exchange meetings every month, we are able to reaffirm our management policy for our entire Group each month. We also established a Group management council to ensure that the management of our Group retains speed in decision making. We have also introduced an operating officer system to help ensure that we maintain a speedy management structure. Moreover, our three corporate auditors (including two outside corporate auditors) attend board of directors, group information exchange, and other important meetings, where they have an active exchange of opinions and serve to strengthen our management oversight function. Furthermore we receive solid advice and a wide range of opinions from our external corporate auditors who have vast experience in the fields of finance and securities.

With regards to our internal auditing system, we have assigned staff to our headquarter auditing office, and they work closely with our corporate auditors to fortify our internal auditing function.

We also employ Shin Nihon Kansa Hojin (Ernst and Young) as our accounting auditors to confirm the accuracy of our financial reports. We also retain Okamura Law Offices as our advising attorneys to review the legality of our operations.

An overview of our business execution and our auditing structure is provided in the chart below.



<Overview of the Relationships of Our Corporate Auditors and Our Accounting Auditors, and Our Capital, Business Partners and other Concerned Parties>

We maintain no special interests with our external corporate auditors and accounting auditors. The three accounting auditors, Mr. Isobe, Mr. Ikoma, and Mr. Sakurai, have been contracted to assume responsibility for our accounts and are CPAs employed by Shin Nippon Kansa Hojin. Furthermore, we have employed internally two additional CPAs and two accountant assistants supporting our accounting audit function.

<Results of Efforts to Strengthen Our Corporate Governance Function within the Past Year>

Our board of corporate auditors holds a separate meeting for the auditing of the entire Kyoritsu Group, where auditors of each Group company exchanges information and opinions to increase our awareness of compliance matters, and to reemphasize the importance of compliance to our board of directors. And in order to implement a thorough compliance system, we established in fiscal year 2004 an audit office to function independently and under the direct control of our president, as well as our "legal management office." These measures function as part of our risk management structure, and will help us to respond quickly to unforeseen incidents.

Additionally, as part of our overall IR strategy and in addition to our regularly scheduled earnings announcement meetings, we disclose our monthly sales as well as other business information including our quarterly earnings. Our President and our public relations department hold numerous meetings with investors to explain our company, and we also take proactive steps to disclose financial information on our Website and to hold our annual general shareholders' meeting as early as possible.

3. Our Earnings and Financial Position

(1) Earnings During the Term Under Review

Our Overall Earnings During the Term Under Review

(Consolidated Earnings) Units: Million Yen

	Last Term Interim 9/04	Current Term Interim 9/05	Growth Rate (%)
Net Sales	27,261	30,040	10.2
Operating Income	2,516	2,897	15.2
Ordinary Income	2,478	2,790	12.6
Net Income	1,390	1,029	-26.0

During the term under review, oil prices continued to trend at high levels, uncertainty surrounding the United States and Chinese economies rose, and concerns over funding for public pension and social security systems continued to cast a shadow over the Japanese economy. However improved corporate earnings contributed to recoveries in capital investment spending and job hirings, and the ecoomy continued on its gradual recovery path.

Against the backdrop of these conditions, our core dormitory business saw sales rise as we increased the number of contracts through efforts to strengthen our cooperation with universities and vocational schools, and the stable occupancy rates of our new Dormy business (studio condominium type dormitories) on the back of the increased hiring of younger workers and a bottoming in the labor markets. Furthermore, the higher than expected occupancy rates at The Beach Tower Okinawa resort, which opened in July 2004, also contributed to higher sales in our hotel business. Sales of our contracted services business benefited from an expansion in the business of "Nikko Facility Management Co., Ltd.," which we acquired in March 2004, as well as from our use of SPCs to develop new dormitories and hotels.

Consequently we saw a 10.2% year-over-year increase in net sales to ¥30,040 million, a 15.2% year-over-year rise in ordinary income to ¥2,897 million, a 12.6% year-over-year increase in ordinary income, and a 26.0% year-over-year decline in net income. A loss arising from impairment accounting was the reason for the decline in net profits, but we were able to record strong gains in profits at the operating and ordinary levels.

Key Data by Business Segment

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

	Last Term Interim 9/04	Current Term Interim 9/05	Growth Rate (%)
Sales	16,313	16,655	2.1
Operating Income	2,799	2,832	1.2

1) Student Dormitory Business

In terms of the operating environment for our student dormitories, the contraction in the younger aged Japanese population continued with the number of 18 year old Japanese fell below the 1.4 million level by declining by 3.2% from the previous year to 1.36 million, and with the view to future employment opportunities students choices of schools became more severe with the trend towards choosing universities and vocational schools in the Tokyo metropolitan area intensifying. Against this backdrop, we also leveraged our strengths in the areas of “food menus coordinated to health management” and “supervised dormitories providing a safe and convenient living environment” to ensure that our student dorms are fully occupied. Consequently, our student dormitories were used by 1,674 different schools and universities for a year-over-year increase of 5.1%, our contracts rose by 3.2% from the previous year to 14,898 students, and we saw a 2.6% year-over-year increase in our student dormitory sales to ¥10,297 million.

2) Corporate Dormitory Business

With regards to the environment surrounding our corporate dormitory business, the number of employed workers rose by a slight margin of 0.2% from the previous year or 6.405 million. While Japanese corporations implemented structural reforms designed to reduce labor costs, a recovery in corporate earnings led to a renewed hiring of younger workers. Furthermore, as a part of widespread measures addressing corporate benefit packages, the trend to sell and outsource dormitories and corporate housing continued. With these trends in place during the term under review, our problem-solving marketing efforts were successful in acquiring new contracts by utilizing our Business Expansion Assistance Service (BEAS involves managing outsourced corporate benefit facilities). And while during the interim period under review the number of companies utilizing our corporate dormitories fell by 9.2% from the year earlier to 1,075 companies and the number of occupants declined by 0.3% year-over-year to 5,221, our sales rose by 3.3% from the previous year to ¥3,996 million.

3) Domy Business

In our Dormy business we leveraged our expertise by developing new studio-type condominiums to accommodate the trend in which both students and individuals increasingly seek to live in corporate dormitories. We saw synergies from the introduction of new tenants in corporate dorms from our affiliated schools and companies, as well as from our residents switching from catered dormitories. During the interim period, the number of occupants rose by 13.7% year-over-year to 2,982, and our sales grew by 15.6% from the year earlier to ¥1,304 million.

4) Outsourced Dormitory Service

Our outsourced dormitory business is the management of dormitories owned by corporations and schools. We leverage our “specialist dormitory marketing proposal capabilities” to differentiate our services from those of our competitors in the corporate benefit facilities outsourcing business. Despite these efforts, our sales during the interim period declined 17.1% year-over-year to ¥1,059 million due in large part to the closure of unprofitable facilities and other efforts to improve our longer-term profitability.

Consequently in our overall dormitory business we managed 344 facilities with a capacity of 25,359 residents, housed 23,101 residents (an increase of 1,049 year-over-year), and recorded an occupancy rate of 91.1% (down 0.6% points from the previous year) at the end of September. Our overall dormitory business sales rose 2.1% year-over-year to ¥16,655 million, and our operating income increased by 1.2% to ¥2,832 million.

<Hotel Business (Dormy Inn, Resorts)> Units: Million Yen

	Last Term Interim 9/04	Current Term Interim 9/05	Change (%)
Net Sales	3,833	5,043	31.6
Operating Income	-27	156	—

In our Dormy Inn business (extended stay residence hotels), the industry trend towards specializing in lodgments and laborsaving has led to strong demand for our unique hospitality services. We carefully tried to reflect the opinions of our customers in the development of our services, and among their suggestions, we noted strong demand for “large hot-spring-type bathing facilities” and “good tasting foods.” By accurately assessing our customers’ needs, we saw a 2.0% point increase in our occupancy rates to 91.2%. In addition to the high occupancy rate at our existing facilities, we were able to open two new facilities in July (Dormy Inn Shinsaibashi and Dormy Inn Suidobashi) and one in August (Dormy Inn Toyama). As a result of these efforts we saw a 23.6% year-over-year increase in sales to ¥2,422 million.

In our resort business, we were able to capture baby-boomer customers by meeting their needs and providing them with resorts that are “reasonable and high quality” and offer them “comfort.” Consequently we were able to record high occupancy rates of 75.5% (up 1.6% point year-over-year) during the interim period. Furthermore The Beach Tower Okinawa, which opened in July 2004, saw a high occupancy rate of 81.6%. Additionally in May 2005, we opened the “Okuhida Hot Springs Hotel Kamiho.” Thus, we saw a large 39.9% year-over-year increase in sales to ¥2,621 million.

In our hotel business overall, our sales rose by 31.6% year-over-year to ¥5,043 million and operating income reached ¥156 million.

<Contracted Services Business> Units: Million Yen

	LastTerm Interim 9/04	Current Term Interim 9/05	Change (%)
Net Sales	5,319	6,581	23.7
Operating Income	184	266	45.0

The contracted services business includes maintenance services for offices and residences, rental of consigned buildings, and parking lot management. Within this group, pricing competition in the building maintenance industry became even more severe, as building owners reviewed their contracts, and as consolidation of contracted outsourcers also increased. Against the backdrop of these conditions, we focused our efforts on developing new clients and increasing our business with existing clients, as well as attracting new tenants as part of our efforts to fortify our building maintenance business. Our renovation business benefited from strong investments to automate hourly parking lots. In March 2004 we acquired 100% of the outstanding share of Nikko Facilities Management Co., Ltd. and have been successful in expanding its sales.

Consequently our office building manage business saw a 5.3% year-over-year increase in its sales to ¥4,384 million, and our residence management business saw an increase of 90.4% in its sales from the previous year to ¥4,384 million. Consequently our total contracted services business sales rose by 23.7% year-over-year to ¥6,581 million and operating income increased by 40.5% year-over-year to ¥266 million.

<Food Service Business (Restaurants, Outsourced Cafeterias, Hotels and Restaurants)> Units: Million Yen

	Last Term Interim 9/04	Current Term Interim 9/05	Change (%)
Net Sales	1,822	1,967	8.0
Operating Income	-14	-33	-132.7

Our food services business was negatively impacted by continued high price for meat products brought on by "mad cow disease" and bird influenza, as well as high prices for vegetables caused by natural disasters, and our overall operating environment was unstable. In light of these trends, we acquired new contracts for restaurants while continuing to consolidate unprofitable operations to help improve our earnings structure. In sum, our food service business sales rose by 8.0% year-over-year to ¥1,967 million, but we recorded an operating loss of ¥33 million.

<Construction Business> Units: Million Yen

	Last Term Interim 9/04	Current Term Interim 9/05	Change (%)
Net Sales	1,690	1,965	16.2
Operating Income	67	140	109.5

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 real estate caused a bubble in real estate funds in parts of central Tokyo and other major metropolitan areas, and is gradually spreading to other regions as well. Against this backdrop, we continued to use SPCs that are focused upon the areas of high demand such as studio type condominiums type dormitories and hotels in the Kanto metropolitan capital region. Consequently our construction sales rose by 16.2% year-over-year to ¥1,964 million and operating income rose by a large 109.5% from the year earlier to ¥140 million.

<Other Business> Units: Million Yen

	Last Term Interim 9/04	Current Term Interim 9/05	Change (%)
Net Sales	1,420	1,543	8.6
Operating Income	54	75	38.7

Our other business division is comprised of our wellness life (supervised and managed rental housing for elderly citizens), rental real estate brokererage, advertising, comprehensive human resources, and lending services. Sales of this division rose 8.6% from the previous year to ¥1,543 million and operating income grew by 38.7% year-over-year to ¥75 million.

(2) Earnings Projections

(Consolidated) Units: Million Yen

	Actual Results FY3/05	Projections FY3/06	Change (%)
Net Sales	58,014	62,600	7.9
Operating Income	4,408	5,000	13.4
Ordinary Income	4,412	4,630	4.9
Net Income	2,343	1,740	-25.7

(Non-Consolidated) Units: Million Yen

	Actual Results FY3/05	Projections FY3/06	Change (%)
Net Sales	39,613	43,300	9.3
Operating Income	3,498	4,100	17.2
Ordinary Income	3,692	3,900	5.6
Net Income	2,020	1,440	-28.7

We expect Japanese corporate earnings to trend favorably on the back of strength in the Japanese economy supported by steady recoveries in other global economies. However uncertainties surrounding the futue of the public pension and social security systems cast a shadow of doubt over the continued improvement in consumer spending. With these conditions in mind, our Group seeks to improve its overall operating strength as well as to rationalize our management structure and improve our earnings structure.

With regard to our main dormitory business, occupancy rates in April, which is the key to predicting our earnings for the coming year, got off to a good start and rose by 1.4% points to 97.3%. In the previous term we created new facilities in Kyoto and Niigata, as well as advancing into the Hiroshima region, and thereby expanded our operating territory. At the same time we opened 13 new facilities with 1,049 rooms, bringing the total number of our facilities to 344 and our rooms to 25,359 to help us meet customers' diversifying needs. In our marketing for our student dormitories, we took steps "to better serve our customers" by expanding and fortifying our affiliations with universities and vocational schools nationwide, and responding to the needs of students for cafeteria food services in our dormitories. In the area of our corporate dormitories, we are marketing proposals to clients, urging them to change their fixed costs to variable costs through our rental services. This is one more way for our Company to respond to the outsourcing needs of major corporate clients. Lastly, in our Dormy business, we are responding to our customers' needs by accelerating the establishment of facilities through the use of SPCs and other methods in the major metropolitan areas.

In our hotel business, the introduction of "large hot-spring-type bathing facilities" and "good tasting foods" into our Dormy Inn business (long-term residence hotel business) has been received favorably by our customers. In our resort business, the large "Beach Tower Okinawa" facility opened in July 2004 has been in operation for a full year at and our other existing facilities have also been operating at very high occupancy rates. In the future in our business hotel business we will seek to maintain our high occupancy rates while we expand our operations. And in our resort hotel business we will strive to rase our occupancy rates by accurately assessing our customers' needs.

In our contracted services business, severe market conditions are continuing due to increasing pricing competition brought on by reviews of contracts. This has been compounded by the trend for building owners to want to consolidate the number of contractors, and the subsequent cancellation of contracts. In response to these conditions, we sought to raise our competitive position by increasing our technical expertise and making our services more attractive to gain an even higher level of customer trust. During the term under review, we widened our client base through our acquisition and close cooperation with Nikko Facility Management. We will create a new chain of offices through our management support of our own hotels and other facilities nationwide.

Looking at our food service business, we continued to focus attention on improving our profit structure through close management of variable costs. The Kyoritsu Group seeks to raise the efficiency of our restaurant operations in connection with 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 heightened needs for student dormitories in the Tokyo region, as well as exerting efforts to develop new hotels. Furthermore we expect to sell all of the units in our "Levy Asakusa," "Project Yokohama" and "Project Tomioka" condominium developments.

Finally, our others business is trending as expected.

Consequently our Group projects consolidated net sales to rise 7.9% year-over-year to ¥62,600 million, ordinary income to grow 4.9% from the previous term to ¥4,360 million, and net income to decline by 25.7% from the last year to ¥1,740 million.

(2) Financial Position

Units: Million Yen

	Last Term Interim 9/04	Current Term Interim 9/05	Change
Cash Flows from Operating Activities	-814	-789	24
Cash Flows from Investing Activities	-5,840	-8,589	-2,749
Cash Flows from Financing Activities	4,991	4,100	-891
Cash and Equivalents at End of Term	10,209	8,697	-1,511

1. Review of Our Cash Flows

During the interim term under review, our consolidated cash and equivalents declined due to an increase in prepayments associated with our dormitory business and despite a decrease in receivables. With regard to our investment activities, our cash flows declined due to acquisition of fixed assets. Our cash flows from financing activities increased due to money received from new short term borrowings. Consequently, we saw a decrease of ¥1,511 million to ¥8,697 million.

(Cash Flows from Operating Activities)

During the interim term, consolidated cash flows from operating activities improved by ¥24 million year-over-year to a negative ¥789 million due to the seasonal factor such as desposits for student dormitories which normally appear in the second half and despite the recovery of accounts receivables associated with real estate for sale.

(Cash Flows from Investment Activities)

During the term under review, we used our cash flows from investment activities to construct new facilities in our dormitory business, and refurbishment of existing facilities in our dormitory business and our hotel business. Due to increases in deposits arising from new facilities and the acquisition and sales of securities holdings, our cash out-flow from investing activities increased by ¥2,749 million to a negative -¥8,589 million.

(Cash Flows from Our Financing Activities)

During the interim period, cash flows from our financing activities decreased by ¥891 million to ¥4,100 million due to our repayment of long term debt which was offset to some extent by the assumption of short term debt.

2. Trends in Our Cash Flow Indicators

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

	FY3/04 Interim 9/03	FY3/04 Full Year	FY3/05 Interim 9/04	FY3/05 Full Year	FY3/06 Interim 9/05
Shareholder’s Equity Ratio (%)	25.0%	24.3%	25.4%	24.3%	25.0%
Capital Adequacy Ratio, Market Capitalization Based (%)	26.5%	29.7%	32.3%	29.3%	37.7%
Debt Recovery Period (years)	—	12.3	—	5.7	—
Interest Rate Coverage Ratio (times)	—	5.3	—	13.0	—

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

2. Each indicator is calculated as follows:

(1) Shareholder’s Equity Ratio: Shareholders’ Equity / Total Assets

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

(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 cash flows of our consolidated accounts.
4. Interest-bearing debt includes all of the liabilities which incur interest payments on our consolidated balance sheet.
5. We use interest payments from our consolidated cash flow statements.

Consolidated Financial Statements

Consolidated Balance Sheet

(units: '000 yen)

Item \ Term	Last Term Interim 9/04 (as of 9/30/04)		Current Term Interim 9/05 (as of 9/30/05)		Last Fiscal Year Consolidated BS Summary (as of 3/31/05)	
	Value	Composition	Value	Composition	Value	Composition
Assets		%		%		%
I Current assets						
1. Cash and deposits	10,997,855		9,394,449		14,673,153	
2. Notes and accounts receivables	2,295,290		2,346,823		3,504,409	
3. Inventories	3,536,650		2,270,866		1,519,443	
4. Others	3,635,846		4,765,807		3,612,160	
5. Doubtful accounts reserves	△ 46,951		△ 50,555		△ 54,777	
Total current assets	20,418,690	26.1	18,727,390	21.7	23,254,388	27.2
II Fixed assets						
(1) Tangible fixed assets						
1. Buildings and structures	19,453,839		20,916,793		19,519,260	
2. Land	14,141,955		17,174,936		15,645,311	
3. Others	1,181,826		2,711,309		2,561,475	
Total fixed assets	34,777,620	44.5	40,803,038	47.2	37,726,046	44.1
(2) Intangible fixed assets						
1. Consolidated account adjustments	-		120,587		129,863	
2. Others	2,304,483		2,158,102		2,286,944	
Total Intangible Fixed Assets	2,304,483	2.9	2,278,689	2.6	2,416,807	2.8
(3) Investment and other assets						
1. Investment securities	3,658,262		9,460,656		7,324,354	
2. Guaranteed cash deposits	6,444,029		6,381,866		6,491,623	
3. Security deposits	4,947,521		5,049,140		5,037,359	
4. Others	5,865,231		3,805,763		3,622,770	
5. Doubtful accounts reserves	△ 270,668		△ 106,331		△ 282,271	
Total investments and other assets	20,644,375	26.4	24,591,094	28.5	22,193,835	25.9
Total fixed assets	57,726,478	73.8	67,672,821	78.3	62,336,688	72.8
III Deferred assets	36,843	0.1	20,831	0.0	29,108	0.0
Total assets	78,182,011	100.0	86,421,042	100.0	85,620,184	100.0

Liabilities and Shareholder's equity (units: '000 yen)

Item / Term	Last Term Interim 9/04 (as of 9/30/04)		Current Term Interim 9/05 (as of 9/30/05)		Last Fiscal Year Consolidated BS Summary (as of 3/31/05)	
	Value	Composition	Value	Composition	Value	Composition
Liabilities		%		%		%
Ⅰ Current liabilities						
1. Accounts payable	1,117,235		1,422,514		1,877,701	
2. Short term borrowings	11,607,852		17,982,299		11,162,283	
3. Redeemable portion of bond within one year	940,000		1,640,000		1,540,000	
4. Accrued corporate and other tax	1,080,101		1,029,881		1,586,904	
5. Deposits	7,451,988		8,281,246		10,365,092	
6. Bonus reserves	634,365		728,472		885,464	
7. Compensation for completed work reserves	13,490		3,937		8,222	
8. Others	3,313,630		2,860,159		4,159,670	
Total current liabilities	26,158,661	33.5	33,948,508	39.3	31,585,336	36.9
Ⅱ Fixed liabilities						
1. Bonds	8,210,000		7,951,000		8,140,000	
2. Long-term debt	15,949,997		14,665,198		17,062,588	
3. Long-term guarantees received	4,291,914		4,516,827		4,334,203	
4. Retirement benefit reserves	916,392		960,106		928,295	
5. Director retirement reserves	332,338		350,584		361,248	
6. Others	2,308,416		2,256,221		2,251,399	
Total fixed liabilities	32,009,057	40.9	30,699,936	35.5	33,077,733	38.6
Total liabilities	58,167,718	74.4	64,648,444	74.8	64,663,069	75.5
(Minority interests)						
Minority interests	121,748	0.2	158,974	0.2	168,717	0.2
(Shareholders' equity)						
Ⅰ Capital stock	3,505,756	4.5	3,515,261	4.1	3,505,756	4.1
Ⅱ Capital reserves	4,314,128	5.5	4,323,813	5.0	4,314,204	5.0
Ⅲ Retained earnings	12,470,008	15.9	13,900,366	16.1	13,238,566	15.5
Ⅳ Valuation gain on securities	△ 106,661	△ 0.1	172,297	0.1	25,745	0.0
Ⅴ Treasury stock	△ 290,686	△ 0.4	△ 298,113	△ 0.3	△ 295,873	△ 0.3
Total shareholders' equity	19,892,545	25.4	21,613,624	25.0	20,788,398	24.3
Total liabilities, shareholders' equity	78,182,011	100.0	86,421,042	100.0	85,620,184	100.0

(2) Consolidated Income Statement

(units: '000 yen)

Item / Term	Last Interim 9/04 Term (From April 1, 2004 to September 30, 2004) Value	Composition	Current Interim 9/05 Term (From April 1, 2005 to September 30, 2005) Value	Composition	Last Fiscal Year Income Statement Summary (From April 1, 2004 to March 31, 2005) Value	Composition
		%		%		%
Ⅰ Net Sales	27,260,701	100.0	30,040,311	100.0	58,014,040	100.0
Ⅱ Cost of sales	21,662,509	79.5	23,744,316	79.0	47,119,098	81.2
Gross profits	5,598,192	20.5	6,295,995	21.0	10,894,942	18.8
Ⅲ Sales, general and administrative	3,082,455	11.3	3,398,622	11.3	6,487,070	11.2
Operating income	2,515,737	9.2	2,897,373	9.7	4,407,872	7.6
Ⅳ Non-operating income						
1. Interest received	20,659		13,777		30,359	
2. Dividends	－		49,647		67,290	
3. Gain on sale of marketable securities	153,255		122,620		276,662	
4. Deposit cancellations	58,538		43,244		154,700	
6. Profit from minority shareholdings	1,343		82		－	
7. Others	97,715		49,090		207,948	
Total non-operating income	331,510	1.2	278,460	0.9	736,959	1.3
Ⅴ Non-operating expense						
1. Interest paid	277,657		265,564		532,536	
2. Discounts on sales	36,835		39,307		41,218	
3. Others	55,107		80,871		159,264	
Total non-operating expenses	369,599	1.3	385,742	1.3	733,018	1.3
Ordinary income	2,477,648	9.1	2,790,091	9.3	4,411,813	7.6
Ⅵ Extraordinary income						
1. Gain on liquidation of investment	－		－		71,746	
Total extraordinary income	－	－	－	－	71,746	0.1
Ⅶ Extraordinary losses						
1. Impairment accounting loss	－		974,655		－	
2. Valuation loss on investment securities	－		－		171,355	
3. Expense for doubtful account reserves	－		－		30,160	
Total extraordinary losses	－	－	974,655	3.3	201,515	0.3
Net income before taxes	2,477,648	9.1	1,815,436	6.0	4,282,044	7.4
Corporate, and other taxes	1,012,503	3.7	969,289	3.2	2,029,050	3.5
Adjustment for corporate and other taxes	76,600	0.3	△ 207,569	△ 0.7	△ 128,750	△ 0.2
Profits on minority shareholdings	△ 1,695	△0.0	24,323	0.1	38,683	0.1
Net income	1,390,240	5.1	1,029,393	3.4	2,343,061	4.0

(4) Consolidated Cash Flow Statement

(units: '000 yen)

Item / Term	Last Term Interim 9/04 (From April 1, 2004 to September 30, 2004)	Current Term Interim 9/05 (From April 1, 2005 to September 30, 2005)	Last Full Year FY3/05 (From April 1, 2004 to March 31, 2005)
Ⅰ Cash flows from operating activities			
Net income before taxes and other adjustments	2,477,648	1,815,436	4,282,044
Depreciation and amortization	580,516	753,137	1,311,766
Impairment loss	—	974,655	—
Bonus reserves	△ 141,900	△ 156,992	95,623
Interest and dividends received	△ 36,353	△ 63,424	△ 97,649
Interest paid	277,657	265,564	532,536
Liquidation of marketable securities	△ 153,255	△ 123,564	△ 348,408
Prepayments	583,874	190,632	214,936
Change in accounts receivables	295,276	1,157,586	△ 858,517
Change in inventories	△ 1,323,841	△ 751,423	693,366
Change in accounts receivable	△ 709,250	△ 456,330	337,274
Change in prepayments	△ 1,973,323	△ 2,083,846	939,777
Change in deposits received	△ 809,254	△ 879,605	△ 176,582
Change in deposits paid	△ 387,790	△ 8,527	△ 152,067
Director bonuses paid	△ 144,533	△ 156,193	△ 144,533
Others	1,028,708	472,772	1,293,553
Subtotal	△ 435,820	949,878	7,923,119
Interest and dividends received	33,663	60,898	87,045
Interest paid	△ 277,107	△ 273,842	△ 527,843
Corporate tax refund	259,956	—	260,041
Corporate tax paid	△ 394,334	△ 1,526,312	△ 858,142
Cash flows from operating activities	△ 813,642	△ 789,378	6,884,220
Ⅱ Cash flows from investing activities			
Purchase of marketable securities	△ 2,754,084	△ 3,516,766	△ 5,054,419
Income from liquidation of marketable securities	2,355,595	1,719,495	5,200,455
Payment for acquisition of shares in subsidiaries	△ 895,000	—	△ 2,640,515
Payment for tangible fixed asset acquisition	△ 4,082,001	△ 4,511,268	△ 7,667,374
Payment for acquisition of long-term prepaid expenses	—	△ 219,853	△ 318,926
Payment for acquisition of subsidiary	—	—	△ 119,690
Payments for loans	△ 2,665,582	△ 1,117,332	△ 1,087,867
Income from loan collections	2,579,681	1,000,922	1,209,865
Payments for guarantees, deposits	△ 312,634	△ 1,947,517	△ 731,818
Income from returned guarantees, deposits	56,265	103,074	213,494
Others	△ 121,842	△ 99,625	269,776
Cash flows from investing activities	△ 5,839,602	△ 8,588,870	△ 10,727,019
Ⅲ Cash flows from financing activities			
Net increase in short term debt	278,500	8,405,500	△ 1,356,000
Income from long term debts	2,726,000	560,000	7,146,000
Repayments for long term debt	△ 2,299,254	△ 4,542,874	△ 4,417,732
Income from long term leases	16,168	—	—
Funds from issuance of bond	5,000,000	500,000	6,000,000
Payment associated with redemption of bond	△ 470,000	△ 570,000	△ 940,000
Payment for dividends	△ 189,806	△ 217,548	△ 374,089
Payment of dividends to minority shareholdings	△ 7,580	△ 10,895	△ 7,580
Others	△ 63,234	△ 24,649	△ 102,684
Cash flow from financing activities	4,990,794	4,099,534	5,947,915
Ⅳ Translation gains for cash and equivalents	—	—	—
Ⅴ Increase in cash and equivalents	△ 1,662,450	△ 5,278,714	2,105,116
Ⅵ Cash and equivalents at beginning of term	11,870,992	13,976,108	11,870,992
VII Cash and equivalents at end of term	10,208,542	8,697,394	13,976,108

Segment Information

(1) Information by business segment

Last interim (from April 1, 2004 to September 30, 2004) (units: '000 yen)

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales and profits									
(1) External sales to clients	16,293,307	3,804,057	4,127,026	996,370	1,119,992	919,949	27,260,701	−	27,260,701
(2) Group sales sales and transfers	19,942	28,992	1,191,917	825,606	569,741	500,255	3,136,453	(3,136,453)	−
Total sales	16,313,249	3,833,049	5,318,943	1,821,976	1,689,733	1,420,204	30,397,154	(3,136,453)	27,260,701
Operating expenses	13,514,525	3,860,270	5,135,382	1,836,313	1,622,842	1,366,076	27,335,408	(2,590,444)	24,744,964
Operating income	2,798,724	△ 27,221	183,561	△ 14,337	66,891	54,128	3,061,746	(546,009)	2,515,737

Current interim (from April 1, 2005 to September 30, 2005) (units: '000 yen)

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales and profits									
(1) External sales to clients	16,632,416	5,014,221	4,577,758	1,043,668	1,757,059	1,015,189	30,040,311	−	30,040,311
(2) Group sales sales and transfers	22,688	28,666	2,003,593	923,469	206,876	527,671	3,712,963	(3,712,963)	−
Total sales	16,655,104	5,042,887	6,581,351	1,967,137	1,963,935	1,542,860	33,753,274	(3,712,963)	30,040,311
Operating expenses	13,822,992	4,886,526	6,315,097	2,000,506	1,823,784	1,467,762	30,316,667	(3,173,729)	27,142,938
Operating income	2,832,112	156,361	266,254	△ 33,369	140,151	75,098	3,436,607	(539,234)	2,897,373

Last fiscal year (from April 1, 2004 to March 31, 2005) (units: '000 yen)

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Sales and profits									
(1) External sales to clients	30,526,425	7,789,368	8,447,716	2,306,708	7,004,142	1,939,681	58,014,040	−	58,014,040
(2) Group sales sales and transfers	36,748	69,727	2,601,987	1,540,414	1,570,406	1,069,295	6,888,577	(6,888,577)	−
Total sales	30,563,173	7,859,095	11,049,703	3,847,122	8,574,548	3,008,976	64,902,617	(6,888,577)	58,014,040
Operating expenses	25,783,702	7,851,028	10,598,156	3,913,801	8,225,458	2,828,344	59,200,489	(5,594,321)	53,606,168
Operating income	4,779,471	8,067	451,547	△ 66,679	349,090	180,632	5,702,128	(1,294,256)	4,407,872

Capacity and Occupancy of our Facilities

Term	Last Interim 9/04 (as of September 30, 2004)			Current Interim 9/05 (as of September 30, 2005)			Last FY3/05 (as of March 31, 2005)		
Segment	Capacity	Contracts	Occupancy rate	Capacity	Contracts	Occupancy rate	Capacity	Contracts	Occupancy rate
	persons	persons	%	persons	persons	%	persons	persons	%
Student	—	14,438	—	—	14,898	—	—	14,845	—
Corporate	—	5,236	—	—	5,221	—	—	6,003	—
Dormir	2,740	2,622	95.7	3,120	2,982	95.6	2,849	2,776	97.4
	24,310	22,296	91.7	25,359	23,101	91.1	24,337	23,624	97.1

* Capacity and contract data are as of the end of the term, with contracts for students using data as of the start of the following term April 1

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