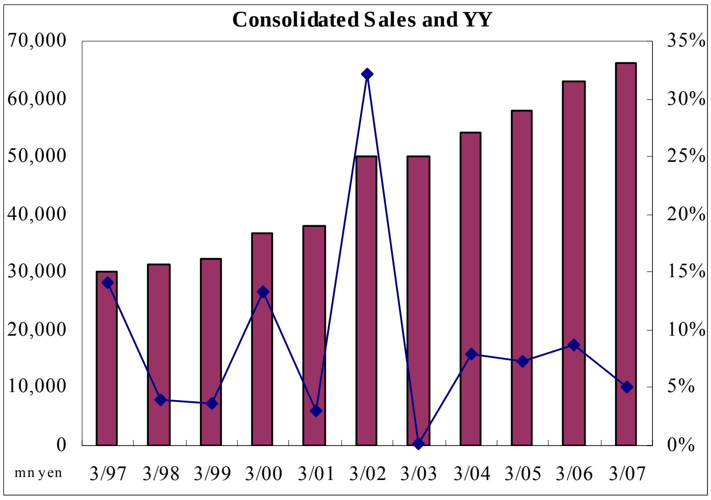
Kyoritsu Maintenance Co., Ltd.

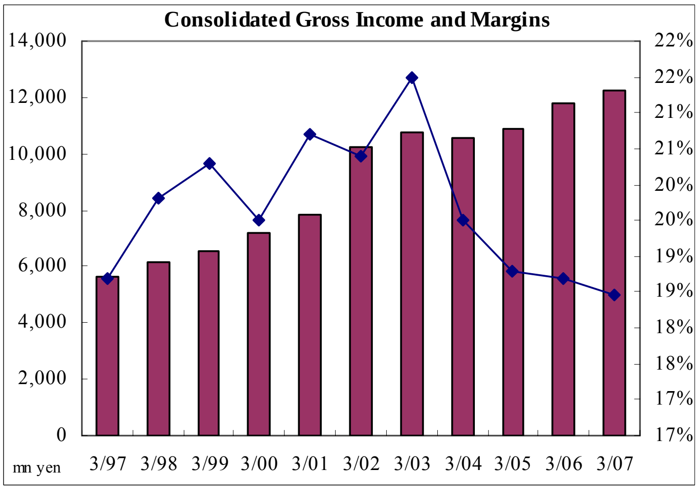
(Securities Code:　9616)

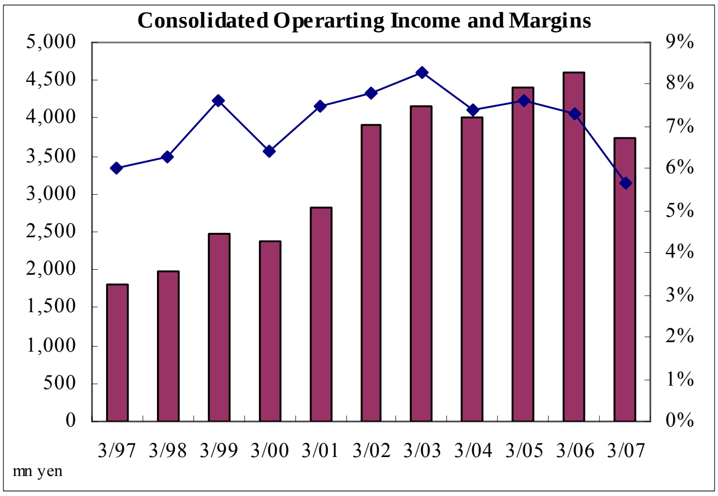
Fiscal Year March 2007
Consolidated Earnings Results Update

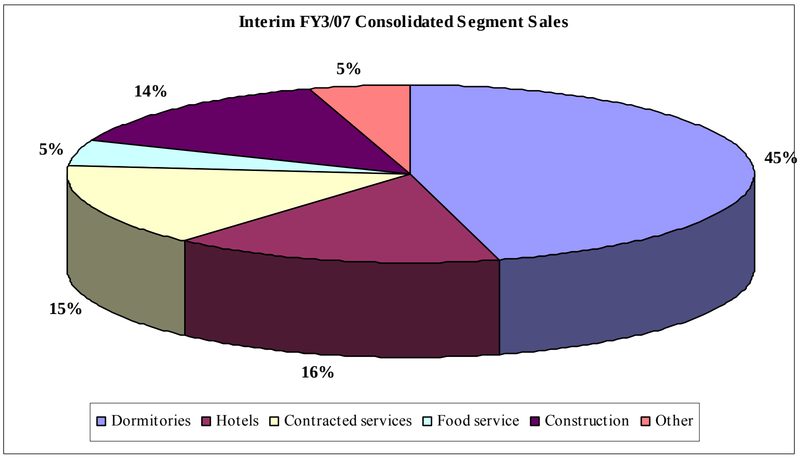
May 2007

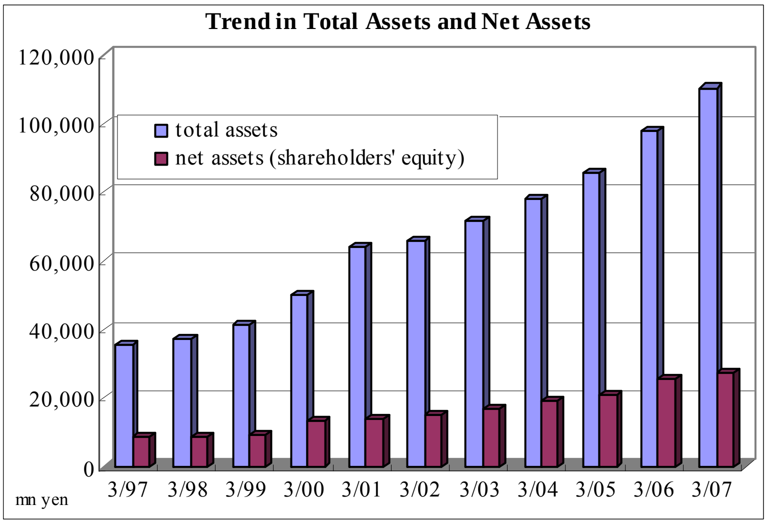
Kyoritsu Maintenance Consolidated Financial Data at a Glance

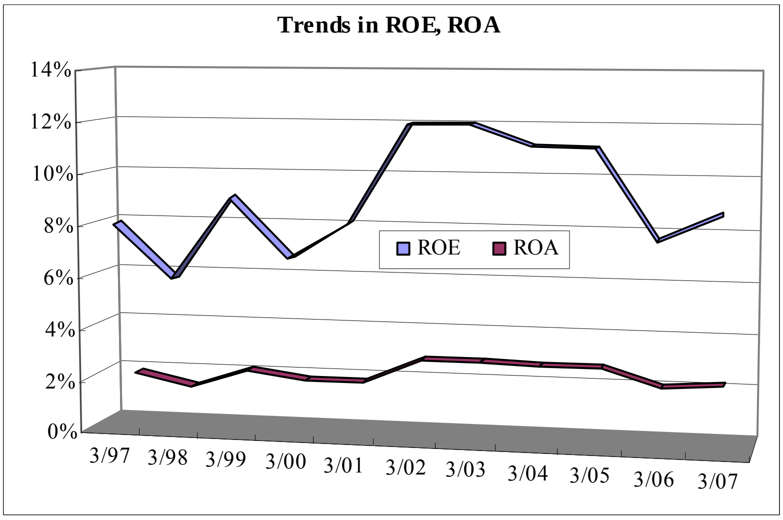







Interim FY3/07 Consolidated Segment Sales
5%
14%
5%
45%
15%
16%
Dormitories
Hotels
Contracted services
Food service
Construction
Other


Trend in Total Assets and Net Assets
120,000
100,000
80,000
60,000
40,000
20,000
0
mn yen
total assets
net assets (shareholders' equity)
3/97
3/98
3/99
3/00
3/01
3/02
3/03
3/04
3/05
3/06
3/07


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
3/07

Historical Consolidated Financial Data and Benchmarks

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

Units: million yen

Fiscal Year March 2007 Consolidated Earnings Results

May 16, 2007

Company Name: **Kyoritsu Maintenance Co., Ltd.**
Stock Exchange: Tokyo Stock Exchange
Company Code: 9616
Homepage: http://www.kyoritugroup.co.jp
Representative: Mitsutaka Sato, President
Contact: Takumi Ueda, Vice President
Telephone: +81-3-5295-7778
Shareholders' Meeting: June 26, 2007
Dividend Payment Date: June 27, 2007
Financial Report Filing Date: June 26, 2007

Fiscal Year March 2006 Consolidated Earnings (from April 1, 2006 to March 31, 2007)

(1) Consolidated Earnings (All figures are rounded down to the nearest million yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
FY3/07	66,287	5.1	3,745	-18.8	3,787	-21.5	2,413	20.0
FY3/06	63,084	8.7	4,611	4.6	4,823	9.3	2,010	-14.2

	EPS	Fully Diluted EPS	ROE	ROA	Operating Income Margin
	Yen	Yen	%	%	%
FY3/07	176.98	151.74	9.2	3.6	5.7
FY3/06	161.87	141.96	8.7	5.3	7.3

(Note) Earnings from minority holdings: FY3/07: ¥24 million, FY3/06: ¥5 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY3/07	110,507	27,096	24.4	1,809.86
FY3/06	98,047	25,512	26.0	2,052.29

(Note) Net assets: FY3/07: ¥26,948 million, FY3/06: ¥25,512 million

(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
FY3/07	3,568	-3,654	1,034	13,721
FY3/06	5,855	-15,961	8,365	12,236

2. Dividend Information

	Dividends Per Share			Total Dividend (Annual)	Dividend Payment Ratio (Consolidated)	Dividend to Net Asset Ratio (Consolidated)
Registry Date	Interim Period End	Year End	Full Year			
	Yen	Yen	Yen	Million Yen	%	%
FY3/07	18.00	18.00	36.00	423	22.2	1.8
FY3/06	18.00	18.00	36.00	491	20.3	1.9
FY3/08 Projection	18.00	18.00	36.00	—	17.6	—

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

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Yen
Interim	34,700	12.5	3,210	14.6	2,850	0.4	1,570	3.1	115.15
Full Year	74,200	11.9	4,900	30.8	4,460	17.8	2,790	15.6	204.62

4. Others

(1) Changes in the scope of our consolidated structure, including changes in our subsidiaries.
Consolidated Subsidiaries: 10 new added, 5 removed.
(Note) For details of these changes, please refer to the schematic diagram of our operations on page 12.

(2) Changes in accounting methodology, procedures, and the way our figures are displayed in the creation of our consolidated financial statements.
1) Changes arising from revisions in the accounting standards: Yes
2) Changes arising from other reasons: None

(3) Shares issued (Common stock)
1) Shares issued (Including treasury stock) at end of March 2007: 15,118,142, March 2006: 12,538,781
2) Treasury stock at end of March 2007: 228,295, March 2006: 183,968
(Note) We provide the number of share assumptions used in our EPS (Consolidated) calculations on page 40 in the "Per Share Data."

(Note) Our Parent Earnings

1. FY March 2007 Parent Earnings (From April 1, 2006 to March 31, 2007)

(1) Parent Earnings

	Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
FY3/07	47,967	10.9	2,633	-26.7	3,113	-21.4	2,185	35.6
FY3/06	43,249	9.2	3,591	2.7	3,962	7.3	1,610	-20.3

	EPS	**EPS, Fully Diluted**
	Yen	Yen
FY3/07	160.25	137.42
FY3/06	131.39	115.32

(2) Parent Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY3/07	90,098	25,917	28.8	1,740.61
FY3/06	85,697	24,360	28.4	1,963.15

(Note) Net assets in FY March 2007: ¥25,917 million, FY March 2006: ¥24,360 million.

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

	Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%v	Million Yen	%vv	Million Yen	%vv	Million Yen	%vv	Yen
Interim	29,500	22.1	2,760	26.4	2,620	6.1	1,530	6.4	112.21
Full Year	57,200	19.2	3,990	51.5	4,000	28.5	2,280	4.4	167.22

* 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.

1. Our Earnings Results

(1) Analysis of Our Earnings Results

1. Our Overall Earnings during the Term under Review

(Consolidated Earnings) (Units: million yen)

	FY3/06	FY3/07	% YY Change
Sales	63,084	66,287	5.1
Operating Income	4,611	3,745	-18.8
Ordinary Income	4,823	3,787	-21.5
Net Income	2,010	2,413	20.0

During the term under review, the Japanese economy continued to recover on support of strong capital investments and a brisk employment market accompanying a recovery in corporate earnings. However weak consumption trends arising from low personal income growth and stagnant stock markets, and uncertainties surrounding the potential for higher health insurance costs limited the recovery in the economy.

Against this backdrop, sales of our student dormitories rose due to our successful efforts to increase the number of contracts through our strengthened relationships with universities and vocational schools. Sales of our corporate dormitories also grew as the labor market recovered with Japanese corporations raising their new graduate hiring activities and on support from strong demand to manage training facilities. Furthermore the steady and high occupancy rates in our new Dormy business (studio type condominium dormitories) also contributed to growth in sales of our core dormitory business. The high occupancy rates at and full year contribution from facilities opened in the previous year, and sales from 10 new large facilities (including Dormy Inn Sendai Annex, Dormy Inn Hakodate Goryokaku, Dormy Inn Akita, Shuzenji Hot Springs Yukairo Kikuya, Hakone Kowakudani Hot Springs Mizu-no-to, Yawatano Hot Springs Morinoyu Kira-no-sato, Shirosaki Maruyamakawa Hot Springs Ginka, Hakone Gora Hot Spring Tokinoyu Setsugetsuka, Dormy Inn Kanazawa, and Dormy Inn Kitami) opened during the year under review allowed us to record growth in sales of our hotel business. Furthermore in our contracted services business, we focused upon extracting synergies between our office and residential property management operations, as well as promoting cost saving measures. And in our real estate development business we concentrated our efforts upon developing new dormitories, hotels, and other new facilities. Consequently our sales rose by ¥3,202 million or 5.1% year-over-year to ¥66,287 million. However the opening of various large hotel facilities led to a large increase in opening costs and caused both our operating and ordinary incomes to decline by 18.8% and 21.5% year-over-year to ¥3,745 million and ¥3,787 million respectively. At the same time we recorded a marketable security gain of ¥1,605 million as part of our strategy to use SPCs to make efficient usage of capital, and our net income rose by 20.0% year-over-year to ¥2,413 million.

As a result of these efforts our earnings per share rose by 15.11 yen to 176.98 yen, and our return on equity rose by 0.5% points to 9.2%.

2. Our Key Data by Business Segment

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

	FY3/06	FY3/07	% YY Change
Contracted Residents	25,136	25,656	2.1
Sales	31,767	33,447	5.3
Operating Income	4,804	5,340	11.1

In our student dormitory business we note that the college age Japanese population continued to contract with the number of 18 year old Japanese falling by 2.4% year-over-year to 1.31 million. However concerns over future employment opportunities contributed to a rise in the advancement rates of high school students to college and vocational schools and we also noted an increase in students studying at educational facilities located in major metropolitan areas.

Against this backdrop, we continued to strengthen our relationships with both vocational schools and college preparatory schools, and with major universities such as Waseda University, Aoyama Gakuin University, and Sophia University. Furthermore we were able to cultivate new relationships with Teikyo University, Kita Sato University, Hosei University, and Otsuma Women’s University. We also strove to increase the recognition of our student dormitory service system which offers “healthy food menus” and “fully supervised, safe and comfortable” living facilities.

While we saw a 2.1% year-over-year decline in the number of schools with which we maintained dormitory contracts to 1,564, we saw a 1.7% year-over-year increase in the number of contracted residents to 15,458 and our sales grew by 3.1% year-over-year to ¥19,576 million.

In the market for our corporate dormitories, the work force grew by 0.4% year-over-year to 63.82 million workers, and new graduate hires rose by a large 17.1% year-over-year to 699,000 on support from the recovery in corporate earnings and moves to restructure corporate labor costs through the hiring of younger workers. Along with this increased hiring of younger workers, Japanese corporations are also beginning to rely more often upon corporate dormitories to provide housing for their workers because of the important role that dormitories play in "providing opportunities for employees to communicate with each other." At the same time Japanese corporations continue to outsource the management of these dormitory facilities more often as part of their restructuring of costs.

Against this backdrop, Kyoritsu Maintenance continued our proactive marketing efforts to provide our customers with solutions designed to resolve their various issues and problems surrounding their dormitories and training facilities. Thereby we were able to grow the number of corporate clients by 3.4% year-over-year to 1,232 and raise our sales by 6.1% year-over-year to ¥8,451 million.

In our Dormy business we used know-how and expertise acquired in our student and employee dormitory operations to develop various types of contracts to accommodate the diversifying needs of students choosing to live in corporate dormitories for single employees. We also increased our supply of studio-type condominium dormitories and we extracted various synergies from the students and employees referred to us from our clients to raise the occupancy rates at our dormitories with food services and our other functions. Consequently the number of our residents rose by 6.9% year-over-year to 3,516 and our sales grew by 14.1% year-over-year to ¥3,088 million.

In our outsourced dormitory business we are responsible for the management of dormitories owned by corporations and schools. And during the term under review we successfully proposed solutions designed to satisfy the outsourcing needs of our customers. Therefore sales grew by 11.1% year-over-year to ¥2,329 million.

As a result of our efforts, the number of our dormitories increased by 13 to 367 and our residents grew by 1,096 to 26,995. Therefore our sales and operating income grew by 5.3% and 11.1% year-over-year to ¥33,447 and ¥5,340 million respectively.

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

	FY3/06	FY3/07	% YY Change
Sales	10,410	13,428	29.0
Operating Income	299	-1,127	—

In our Dormy Inn business, we have chosen to differentiate our operations by offering unique hospitality services which reflect the needs of our customers because most of our competitors have adopted strategies which pursue labor-savings by specializing in accommodations functions only. Among the services sought by our customers, we have noted strong demand for "large hot spring type bathing facilities" and "good tasting breakfasts," and we also offer business trip packages and late night check in to accommodate our customers' special needs. Furthermore we also offer special accommodation plans catering to female customers and weekend plans designed to capture demand from traveling families. Amidst these developments, we opened five new facilities including our "Dormy Inn Sendai Annex," "Dormy Inn Hakodate Goryokaku," "Dormy Inn Akita," "Dormy Inn Kanazawa," and "Dormy Inn Kitami" during the term under review, bringing the total number of our Dormy Inn facilities to 22. Also during the term our efforts were successful in boosting our occupancy rates to a high level of 83.7%. Consequently our sales of this division rose by 19.4% year-over-year to ¥6,398 million.

In our resort business (resort hotel operations), we maintain the objective of providing hotels that offer "reasonable prices and high quality resort lifestyles" as well as providing "comfortable accommodations." And during the period under review we opened five new facilities including our Shuzenji Hot Springs Yukairo Kikuya, Hakone Kowakudani Hot Springs Mizu-no-to, Yawatano Hot Springs Morinoyu Kira-no-sato, Shirosaki Maruyamakawa Hot Springs Ginka, Hakone Gora Hot Spring Tokinoyu Setsugetsuka. All of these new facilities were also reported on in the media and have enjoyed a strong reception since their opening. Additionally we have introduced various measures designed to raise the occupancy rates at our existing facilities during the weekdays and continued our efforts to maintain a low cost operational base while providing a high level of satisfaction to our customers. As a result of these efforts, we saw a 39.1% year-over-year increase in sales to ¥7,029 million. However the opening of these five new large facilities contributed to a front-loading of opening and other costs.

Consequently the number of our hotels increased by 10 year-over-year to 36, and the number of rooms grew by 1,407 year-over-year to 4,112. And our sales grew by 29.0% year-over-year to ¥13,428 million, but we saw an operating loss of ¥1,127 million.

<Contracted Services Business> (Units: million Yen)

	FY3/06	FY3/07	% YY Change
Sales	13,277	11,680	-12.0
Operating Income	578	625	8.3

The contracted services business includes maintenance and management services for both offices and residences, rental of consigned buildings, and parking lot management. Pricing competition within the building maintenance industry grew even more severe during the term under review, and difficulties in finding workers amidst the tight labor markets magnified the difficulties in the industry.

Against this backdrop, we worked aggressively to strengthen our capabilities in the areas of property management. Furthermore we also endeavored to raise our competitiveness in the building maintenance business through strict cost management and improvements in productivity.

Consequently our contracted services sales declined by 12.0% year-over-year to ¥11,680 million, while our operating income grew by 8.3% year-over-year to ¥625 million.

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

	FY3/06	FY3/07	% YY Change
Sales	3,828	4,330	13.1
Operating Income	-76	-174	—

In our food services business, consumer sentiment improved on the back of the gradual recovery in the economy, but conditions remain difficult as we implemented strategies to take into account the diversifying needs of our customers and to deal with intensifying competition in opening new restaurants. With these trends in place, we continued to take steps to restructure this business, including efforts to cultivate management contracts for new restaurants and to reduce our cost structure.

In sum, our food service business sales grew by 13.1% year-over-year to ¥4,330 million, and we recorded an operating loss of ¥174 million.

<Construction Business> (Units: million yen)

	FY3/06	FY3/07	% YY Change
Sales	9,571	15,251	59.3
Operating Income	365	379	4.0

In our construction business, the large influx of both foreign and domestic capital into the Japanese real estate market has caused a “real estate bubble” in parts of central Tokyo and other major metropolitan areas, which is gradually spreading to other regions as well. In light of these trends, we maintained our focus upon acquiring properties at reasonable prices which will ensure profitability of our redevelopment activities, but competition continues to intensify.

And maintaining our strategy of the previous term, we concentrated our efforts to develop properties including our Dormy series of studio-type condominiums to satisfy customer needs in the Tokyo capital region, in addition to developing business and resort hotels.

Consequently our construction business sales rose 59.3% year-over-year to ¥15,251 million and our operating income grew by 4.0% year-over-year to ¥379 million.

<Other Business>

(Units: million yen)

	FY3/06	FY3/07	% YY Change
Sales	3,333	4,018	20.6
Operating Income	160	254	58.6

Our other business is comprised of the wellness life service (management of senior citizen housing), life service (catalog and rental sales), advertising agency service, rental property brokerage service, comprehensive human resources service, and financing service. This division's sales rose 20.6% from the previous fiscal year to ¥4,018 million, and operating income grew by 58.6% year-over-year to ¥254 million.

3. Earnings Projections

(Consolidated) (Units: million yen)

	FY3/07 Results	FY3/08 Projections	% YY Change
Sales	66,287	74,200	11.9
Operating Income	3,745	4,900	30.8
Ordinary Income	3,787	4,460	17.8
Net Income	2,413	2,790	15.6

(Parent) (Units: million yen)

	FY3/07 Results	FY3/08 Projections	% YY Change
Sales	47,967	57,200	19.2
Operating Income	2,633	3,990	51.5
Ordinary Income	3,113	4,000	28.5
Net Income	2,185	2,280	4.3

We anticipate the Japanese economy to benefit from the current strong corporate earnings trends in the coming year, in addition to the strong employment market with continued increases in the hiring of new graduates and younger workers and aggressive capital investment trends. However we expect the potential for higher interest rates, weak stock markets, and stagnant growth in personal income to cause consumers to become more cautious in their spending habits. Amidst these trends, the Kyoritsu Maintenance Group will pursue a strategy designed to increase our competitive standing in the industry by creating a more efficient management and earnings structure.

With regards to our projections for the coming fiscal year, in our dormitory business we saw a strong 96.3% occupancy rates in April, which is a leading indicator for our earnings performance in the coming year. In the fiscal year March 2008 we expect to develop 18 new units with 1,425 rooms primarily in the Tokyo capital region, which accurately match the diversifying needs of our residents and will bring the total number of units and rooms which we operate to 383 and 28,164 respectively. Furthermore we will increase the convenience of our various living facilities and reduce our operating costs by equipping these new facilities with high speed internet connections and IP telephones, in addition to fortifying and improving the communications environment at our existing facilities. We will also strive to introduce new technologies and services in our facilities. With regards to our marketing function in the area of our student dormitory business, we will continue to strengthen our relationships with major public and private universities. At the same time we will use our highly attractive food services to develop demand in new operating regions and to fortify our relationships with vocational schools and college preparatory schools which have made up our traditional client base. In the area of our corporate dormitories, we are pursuing a flexible marketing strategy designed to capture the growing demand for outsourcing of corporate dormitory and other facilities brought about by Japanese corporations' attempts to shift a larger portion of their fixed costs to variable costs. Furthermore we are also aggressively proposing to corporations that they outsource their training facility management to our company as part of their strategy to restructure their costs. In response to strong demand in the market for our Dormy business, we will increase the speed of our development of these facilities in the major metropolitan regions of Japan.

In our hotel business, we plan to open new facilities in major metropolitan areas throughout Japan given the strong occupancy rates on the back of the favorable reception from our customers of our existing Dormy Inn Hotel facilities. At these facilities we will offer our guests special business trip and late night check-in functions in addition to "large hot spring type public baths" and "good tasting breakfasts." In our resort hotels we offer "high quality resort style facilities at reasonable prices" as part of our strategy to capture the latent demand presented by the impending large wave of retiring baby-boomer generation Japanese workers. As part of this strategy we will also fortify our services offered at each of our resort hotel facilities while endeavoring to restructure our own cost structure. In addition we will carefully plan the development and opening of new facilities to ensure that they satisfy the needs of our customers as facilities offering “comfortable accommodations.” Our hotel business is identified as a new driver of our earnings growth and we will devote various management resources to this business to fortify its foundation.

Our contracted services business is suffering from increased pricing competition within the industry, reviews of contracts from our customers, demands for price reductions, and cancellation of contracts due to the consolidation of the number of consigned service providers. At the same time new business opportunities are arising with the increased liquidity in the real estate market and as the government steps up its usage of PFI. Against this backdrop, we endeavor to retain existing and cultivate new customers by leveraging our expertise and know-how to provide an even higher level of services.

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 restaurants operations at our nationwide network of hotels, and to strengthen our operational know-how related to restaurants located at golf courses. We also seek to develop new business with restaurants outside of our Group.

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

In our other business we will focus upon fortifying our earnings foundation by offering comprehensive human resources services designed to satisfy the needs of our customers. At the same time we will promote a growth strategy to expand this business along with our other businesses.

Consequently at the consolidated level for the Kyoritsu Maintenance Group, we project sales to grow by 11.9% year-over-year to ¥74,200 million, and operating, ordinary and net incomes to rise by 30.8%, 17.8% and 15.6% year-over-year to ¥4,900, ¥4,460, and ¥2,790 million respectively. And at the parent level we project our sales to rise by 19.2% year-over-year to ¥57,200 million, and our operating, ordinary, and net incomes to grow by 51.5%, 28.5% and 4.3% year-over-year to ¥3,990, ¥4,000, and ¥2,280 million respectively, putting Kyoritsu squarely on a strong growth trend.

(2) Analysis of Financial Conditions

1. Conditions of Our Assets, Liabilities, and Net Assets

Our total assets increased by ¥12,460 million from the end of the previous fiscal year to ¥110,507 million. The main reason for this growth was the rise in current and tangible fixed assets.

Liabilities grew by ¥11,055 million year-over-year to ¥83,411 in the term under review. The main factor for this increase was the rise in fixed liabilities.

Our net assets also rose by ¥1,404 million from the end of the last fiscal year to ¥27,096 million. The growth in our retained earnings was the main cause of this growth.

2. Cash Flow Conditions

During the term under review our consolidated cash and equivalents grew by ¥1,484 million to ¥13,721 million. We provide a explanation of our cash flow as follows.

(Cash Flow from Our Operating Activities)

We saw increases in receivables and uncollected payments, and at the same time obligations arising from acquisitions in our construction business declined. Consequently our operating cash flow declined by ¥2,286 million to a net inflow of ¥3,568 million during the term under review.

(Cash Flows from Investing Activities)

During the period under review, we saw an outflow of cash for the acquisition of new facilities in our dormitory and hotel businesses and the repair of facilities, and at the same time we saw an inflow of cash from the liquidation of marketable securities and tangible fixed assets in our hotel business. Therefore we saw a decline in our outflow of ¥12,307 million from the previous year to a net outflow of ¥3,654 million.

(Cash Flows from Our Financing Activities)

During the fiscal year, we saw an inflow from the issuance of a convertible bond type stock options and increased long-term debt, but we saw an outflow from the repayment of short- and long-term debts. Consequently our financing cash flow declined by ¥7,331 million to a net inflow of ¥1,034 million.

(Reference) Cash Flow Indicators

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

	FY3/03	FY3/04	FY3/05	FY3/06	FY3/07
Net Asset Ratio (%)	23.5	24.3	24.3	26.0	24.4
Capital Adequacy Ratio, Market Capitalization Based (%)	25.4	29.7	29.3	61.1	36.9
Cash Flow to Interest Bearing Debt Ratio (%)	29.6	12.3	5.7	7.7	14.7
Interest Rate Coverage Ratio	2.4	5.3	13.0	10.6	4.9

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

2. Each indicator is calculated as follows:
   (1) Net Asset Ratio: Net Assets / 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) Cash Flow to Interest Bearing Debt Ratio: Interest Bearing Debt / Operating Cash Flow
   (4) Interest Coverage Ratio: Operating Cash Flow / Interest Payments
3. Cash flow from operating activities is based on our operating cash flow.
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.

(3) Our Basic Policy Regarding the Distribution of Profits During the Current and Next Terms

We consider the capital sourced from the capital markets and 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 during the current term, we implemented a 1.2 for 1 stock split in October 2006 to existing shareholders as of the end of September 2006. Furthermore we expect to maintain the same dividend payment as the previous fiscal year of ¥36 per common share. 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 type stock options issued in September 2004 and September 2006. At the same time we also seek to retain a level of earnings that will give our management the flexibility to make necessary capital investments in response to changes in the market and to develop new businesses whenever appropriate.

(4) Business Risks

Below we note the important risk factors that maybe considerations when making 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 with room and board, we provide flexible housing solutions to Japanese corporations, whose employee numbers change dramatically, by supplying them with only the number of rooms they need to match the number of employees on their payroll. But because our dormitories are primarily leased from the owners of the facilities, 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 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 which help to differentiate us from our competition. However we remain 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 weather related calamities such as typhoons, as well as from fluctuations in the economy. Therefore our sales may fall below our expectations during peak seasonal periods and our Group earnings may also be impacted by these events.

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

2. Financial Conditions

The Kyoritsu Maintenance Group endeavors to maintain consistent long-term growth as outlined in our intermediate- to long-term management strategy, but the attainment of this growth is premised upon our ability to secure assets which can be used 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 and financial position are at risk of being negatively impacted by potential stagnation in the real estate market, volatility in asset prices, extreme declines in cash flows 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 which are part of our business. 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 may also be 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 by the accounting industry, we are now required to implement asset impairment accounting with regards to our Group's tangible and intangible fixed assets, including investments, other assets and leases. And we recognize the risk of an extreme contraction in our cash flow 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 29 other 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, 19 maintain stipulations in their lease contracts that prohibit the cancellation of the lease agreement prior the end of the lease term. Therefore weak trends in occupancy rates of these managed assets could negatively affect their profitability, which in turn could negatively impact our overall earnings and financial position. As a note, the balance of rent remaining under these irrevocable lease contracts stood at ¥10,072 million as of end March 2007.

6. Our Dependence upon Interest Bearing Debt and Interest Rate Trends

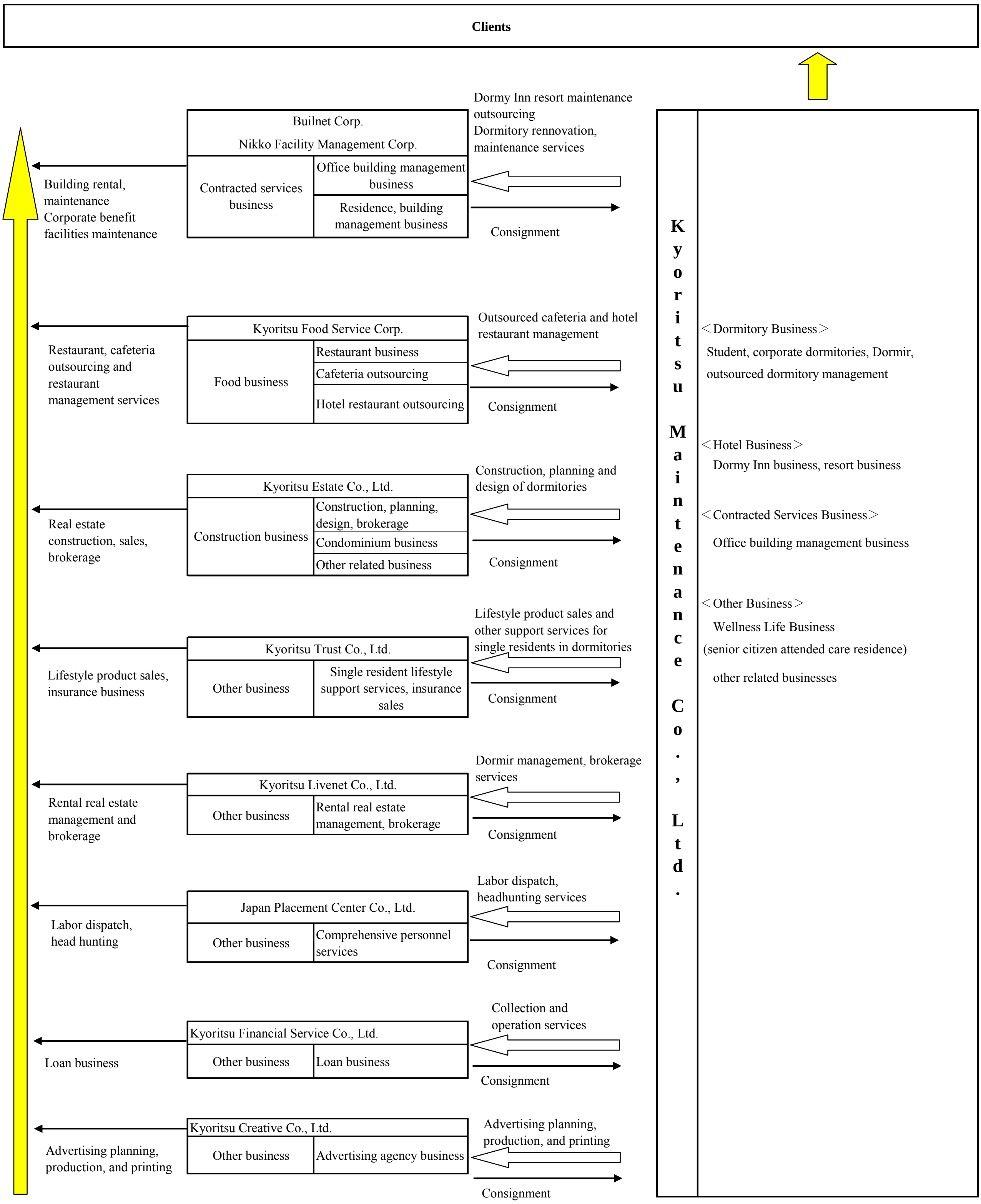
In our business, we use bank debt in addition to our own capital and our interest bearing debt ratio as a percentage of our total assets stood at 47.3% at end fiscal year March 2007. As for our Group, we are pursuing a strategy of reducing our dependence upon interest bearing liabilities which includes the sale of some of our self-owned facilities to investors while retaining the management and operational contracts for these facilities. At the end of fiscal year March 2007, 91.5% of our interest bearing debt was fixed interest rate debt and we therefore are insulated from near term increases in interest rates. However, our earnings still remain at risk of higher funding costs arising from increases in interest rates over the longer term.

2. Corporate Structure

The Kyoritsu Maintenance Group consists of the parent company, 16 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. Five 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. One other company

Schematic Diagram of Our Operations



3. Management Policy

(1) Our Basic Management Policy

Our Group has exerted every effort to provide a “high level of customer satisfaction” ever since our founding, and we seek to raise our brand recognition by offering our residents useful and high quality services which focus upon 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 (Including the provision of high quality and helpful services). Furthermore as a specific part of our business strategy, we aim to “further expand and raise the profitability of our core dormitory business,” “expand into other 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) Benchmarks of Our Intermediate- to Long-Term Management Strategy

The Kyoritsu Group maintains a basic goal of increasing its consolidated return on equity, 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 dominate the market by steadily growing our share of the 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.

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 management of their own dormitories as part of their restructuring of corporate benefit programs, and the growing demand for dormitories for employees working in the Tokyo metropolitan region. In response to this changing environment, we will strengthen our marketing efforts to capture more of this demand for single-employee housing and for outsourcing services to maintain dormitories and other corporate housing facilities.
3. Our Dormy Inn business (business hotels) has become an established part of our overall business model, and we will expand our hotel 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 maintain a corporate philosophy of providing “high quality resort lifestyle at reasonable prices” to our customers. At the same time we will open facilities designed to “achieve harmony with the surrounding natural environment” as the theme for our next generation of resorts.
5. In our contracted services business, we will fortify our nationwide business 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 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 increase the efficiency of our overall operations.
3. Strengthen our IR function.

(3) Key Management Issues

In our efforts to further raise our shareholder value, the Kyoritsu Maintenance Group maintains as its 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. 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. Also, we will take advantage of the approaching wave of business from the outsourcing of corporate housing management accompanying the review of corporate benefit programs. As part of this strategy we will 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 these 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 (business hotel business), which has become an established part of our earnings structure. And in our resort business 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 market presence 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, stand alone restaurant, and restaurants attached to golf course management operations. We also seek to strictly control food and other variable costs to improve our profitability.

In our real estate development business, we will continue to focus our efforts upon developing, traditional dormitories, Dormy studio type condominium dormitories, and business and resort hotels with an eye to maintaining profitability amidst the trend for increases in land costs, which is making the development environment difficult.

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

With regard the development of facilities, not only will we continue to our efforts to increase our facilities through long-term lease contracts and acquisition of facilities, but we will also sell some of our self-owned facilities to investors while retaining the management contracts for these facilities. Through the implementation of this diversified strategy we will be able restrain growth in interest bearing debt, maintain a healthy financial position, and improve our return on investment while securing adequate numbers of rooms for our residents. This in turn should allow us to achieve our projected profitability through the quick recovery of investments.

Each year our management identifies certain themes to pursue in our business strategy, and last year we chose a strategy of "pushing aggressively forward" (An assumption that change will always happen, and pushing forward aggressively and confidently.) to create new growth drivers which will fortify our Group operations. During the coming year we have chosen the term "excel" as the theme of our business strategy (To overcome obstacles and to break free of impediments to progress.). As part of this strategy we will strive to achieve an even stronger management structure to raise the quality of all of our services even further. 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 unique business resources without being distracted by short-lived trends.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

Units: million yen

Item	Previous Term FY3/06 (March 31, 2006) Value		Share %	Current Term FY3/07 (March 31, 2007) Value		Share %	Change
Assets							
I Current assets							
1. Cash and deposits		12,898			14,333		1,434
2. Notes and accounts receivables		3,642			2,899		-743
3. Marketable securities		38			28		-9
4. Inventories		1,298			2,514		1,216
5. Deferred tax assets		653			831		177
6. Others		4,874			4,338		-535
Doubtful account reserves		-55			-43		11
Total current assets		23,350	23.8		24,901	22.6	1,551
II Fixed Assets							
1. Tangible fixed assets							
(1) Buildings and structures	27,294			27,538			
Aggregated depreciation	-6,245	21,049		-7,092	20,445		-603
(2) Land		19,071			19,787		716
(3) Construction in progress		3,861			6,255		2,394
(4) Buildings, structures in trust	—			8,453			
Aggregated depreciation	—	—		-384	8,068		8,068
(5) Real estate trust		—			4,902		4,902
(6) Others	2,499			3,333			
Aggregated depreciation	-1,643	856		-1,966	1,367		511
Total tangible fixed assets		44,838	45.7		60,827	55.0	15,989
2. Intangible fixed assets							
(1) Consolidated account adjustment		111			—		-111
(2) Goodwill		—			92		92
(3) Others		2,225			2,545		319
Total intangible fixed assets		2,337	2.4		2,638	2.4	301
3. Investments and other assets							
(1) Investment securities		12,859			5,510		-7,349
(2) Long-term loans		932			849		-83
(3) Guaranteed deposits		6,346			6,429		82
(4) Security deposits		4,835			5,327		491
(5) Deferred tax assets		751			1,672		920
(6) Others		1,872			2,409		536
Doubtful account reserves		-93			-101		-8
Total investments and other assets		27,506	28.1		22,095	20.0	-5,410
Total fixed assets		74,681	76.2		85,562	77.4	10,880
Ⅲ Deferred assets							
1. Bond issuance expense		14			43		28
Total deferred assets		14	0.0		43	0.0	28
Total assets		98,047	100.0		110,507	100.0	12,460

(1) Consolidated Balance Sheet Units: million yen

Item	Previous Term FY3/06 (March 31, 2006)		Current Term FY3/07 (March 31, 2007)		Change
	Value	Share %	Value	Share %	
Liabilities					
Ⅰ Current liabilities					
1. Accounts payable	3,622		2,989		-632
2. Short term debt	21,668		12,311		-9,356
3. Redeemable portion of bond within one year	1,440		1,600		160
4. Accrued corporate and other tax	810		2,349		1,538
5. Deferred tax liabilities	—		3		3
6. Deposits	11,130		11,658		528
7. Bonus reserves	991		799		-191
8. Bonus reserves for directors	—		122		122
9. Compensation for completed work reserves	45		82		37
10. Others	4,330		5,424		1,094
Total current liabilities	44,039	44.9	37,342	33.8	-6,697
Ⅱ Fixed liabilities					
1. Bonds	5,061		14,907		9,846
2. Long-term debt	15,536		22,364		6,828
3. Long-term lease payables	1,122		1,069		-53
4. Long-term guarantees received	4,221		4,146		-75
5. Deferred tax liabilities	875		877		1
6. Retirement benefit reserves	980		1,033		52
7. Director retirement reserves	374		395		21
8. Others	142		1,275		1,132
Total fixed liabilities	28,316	28.9	46,068	41.7	17,752
Total liabilities	72,355	73.8	83,411	75.5	11,055

(1) Consolidated Balance Sheet Units: million yen

Item	Previous Term FY3/06 (March 31, 2006) Value	Share %	Current Term FY3/07 (March 31, 2007) Value	Share %	Change
(Minority interests)					
Minority interests	179	0.2	—		-179
(Shareholders' equity)					
Ⅰ Capital stock	5,051	5.1	—		-5,051
Ⅱ Capital reserves	5,857	6.0	—		-5,857
Ⅲ Retained earnings	14,680	15.0	—		-14,680
Ⅳ Valuation gain on securities	249	0.2	—		-249
Ⅴ Treasury stock	-326	-0.3	—		326
Total shareholders' equity	25,512	26.0	—		-25,512
Total liabilities, minority interests, and shareholders' equity	98,047	100.0	—		-98,047
(Net assets)					
Ⅰ Shareholders' equity					
1. Capital stock	—		5,128	4.6	5,128
2. Capital reserves	—		5,935	5.4	5,935
3. Retained earnings	—		16,191	14.7	16,191
4. Treasury stock	—		-348	-0.4	-348
Total shareholders' equity	—		26,907	24.3	26,907
Ⅱ Valuation, translation gains					
1. Other marketable security valuation gains	—		40	0.0	40
2. Gains from deferred hedges	—		0	0.0	0
Total valuation, translation gains	—		41	0.0	41
Ⅲ Minority holdings	—		147	0.2	147
Total net assets	—		27,096	24.5	27,096
Total liabilities, net assets	—		110,507	100.0	110,507

(2) Consolidated Income Statement

Units: million yen

		Previous Term From April 1, 2005 to March 31, 2006			Current Term From April 1, 2006 to March 31, 2007			Change
Item		Value		Share %	Value		Share %	
Ⅰ	Net sales		63,084	100.0		66,287	100.0	3,202
Ⅱ	CGS		51,301	81.3		54,044	81.5	2,743
	Gross income		11,783	18.7		12,242	18.5	458
Ⅲ	SG&A		7,172	11.4		8,496	12.8	1,323
	Operating income		4,611	7.3		3,745	5.7	-865
IV	Non-operating income							
1.	Interest received	39			45			
2.	Dividend received	188			246			
3.	Marketable securities sale	341			160			
4.	Minority shareholding profit	5			24			
5.	Deposit returns	149			157			
6.	Others	233	957	1.5	383	1,017	1.5	59
V	Non-operating expense							
1.	Interest payment	513			725			
2.	Bond issuance expense	23			16			
3.	Others	208	745	1.2	234	975	1.5	230
	Ordinary income		4,823	7.6		3,787	5.7	-1,036
Ⅵ	Extraordinary income							
1.	Marketable securities sale	208			38			
2.	Fixed asset sale profit	—			51			
3.	Liquidation gain on investment securities	—			1,605			
4.	Others	—	208	0.3	44	1,739	2.6	1,530
Ⅶ	Extraordinary loss							
1.	Loss adjustment from previous term	215			—			
2.	Fixed asset sale loss	36			—			
3.	Impairment accounting loss	1,012			547			
4.	Losses on pensions	335			—			
5.	Others	—	1,599	2.5	124	672	1.0	-927
	Net income before taxes		3,432	5.4		4,854	7.3	1,421
	Corporate and other taxes	1,746			3,148			
	Adjustment for taxes	-369	1,377	2.1	-727	2,420	3.7	1,043
	Minority shareholding profits		44	0.1		21	0.0	-23
	Net income		2,010	3.2		2,413	3.6	402

(4) Consolidated Cash Flow Statement

Units: million yen

Items	Previous Term From April 1, 2005 to March 31, 2006 Value	Current Term From April 1, 2006 to March 31, 2007 Value	Change Value
I Cash flows from operating activities			
Net income before taxes and other adjustments	3,432	4,854	1,421
Depreciation and amortization	1,634	2,101	467
Fixed asset impairment loss	1,012	547	-464
Change in bonus reserves	—	-191	-191
Change in director bonus reserves	—	122	122
Interest and dividends received	-227	-291	-63
Interest payment	513	725	212
Liquidation of marketable securities	-550	-198	351
Valuation loss on marketable securities	—	-1,605	-1,605
Change in receivables	-138	654	792
Change in trust benefit	—	-293	-293
Change in accounts due	-453	410	863
Change in inventories	221	-641	-862
Change in accounts payable	1,736	-1,240	-2,977
Change in prepayment received	877	544	-332
Change in deposits	119	60	-58
Bonus payment to directors	-156	-164	-8
Change in deposits from customers	—	-114	-114
Others	621	367	-254
Subtotal	8,643	5,647	-2,995
Interest and dividends received	202	280	78
Interest payment	-554	-724	-169
Corporate tax payment	-2,435	-1,635	800
Cash flows from operating activities	5,855	3,568	-2,286
II Cash flows from investing activities			
Marketable securities purchases	-8,910	-4,114	4,795
Liquidation of marketable securities	4,374	6,620	2,246
Liquidation of investment securities	—	1,761	1,761
Acquisition of tangible fixed assets	-9,031	-15,404	-6,372
Tangible fixed assets liquidation income	98	8,787	8,688
Intangible fixed asset acquisition	-235	-522	-286
Long term prepayments	-366	-414	-48
Loans extended	-704	-480	223
Loans recovered	701	517	-183
Rental deposits paid	-3,174	-1,016	2,158
Rental deposits recovered	1,346	287	-1,059
Others	-58	325	384
Cash flows from investing activities	-15,961	-3,654	12,307
III Cash flows from financing activities			
Increase in short-term debt	11,385	-10,540	-21,925
Increase in long-term debt	6,210	12,360	6,150
Repayment of long-term debt	-8,614	-10,355	-1,740
Income from bond issued	1,491	11,584	10,093
Payment for bond redeemed	-1,590	-1,440	150
Acquisition of treasury stock	-31	-22	8
Dividend payment	-418	-445	-26
Dividend payment to minority shareholder	-10	-27	-16
Others	-55	-79	-24
Cash flows from financing activities	8,365	1,034	-7,331
IV Translation gains for cash and equivalents	—	—	—
V Net change in cash and equivalents	-1,739	949	2,689
VI Cash and equivalents at term start	13,976	12,236	-1,739
VII Addition to cash from consolidation changes	—	535	535
VIII Cash and equivalents at term end	12,236	13,721	1,484

Segment Information

(1) Information by Business Segment

Previous Term (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
Ⅰ. Sales and profits									
Net sales									
(1) External sales to clients	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
Ⅱ. Assets, depreciation and capital payments									
Assets	31,416	32,945	12,839	1,126	8,379	5,296	92,003	6,043	98,047
Depreciation	659	795	110	14	10	39	1,629	5	1,634
Payments to capital	1,581	7,640	394	17	176	7	9,818	461	9,357

Current Term (from April 1, 2006 to March 31, 2007) Units: million yen

	Dormitories	Hotels	Contracted services	Food service	Construction	Other	Total	Company wide expense, eliminations	Consolidated
Ⅰ. Sales and profits									
Net sales									
(1) External sales to clients	33,396	13,274	8,257	2,177	6,689	2,491	66,287	—	66,287
(2) Internal sales Sales and transfers	50	153	3,423	2,153	8,562	1,527	15,870	15,870	—
Total sales	33,447	13,428	11,680	4,330	15,251	4,018	82,157	15,870	66,287
Operating expenses	28,107	14,556	11,055	4,504	14,872	3,764	76,860	14,319	62,541
Operating income	5,340	-1,127	625	-174	379	254	5,297	1,551	3,745
Ⅱ. Assets, depreciation and capital payments									
Assets	39,100	41,926	12,909	1,627	6,900	5,405	107,870	2,636	110,507
Depreciation	780	1,101	127	42	21	38	2,113	11	2,101
Payments to capital	817	15,301	424	31	22	30	16,627	899	15,727

Consolidated Sales Overview

The table below shows sales results in each of our business segments at the end of the fiscal year

Units: million yen

Business segments		Previous Term FY3/06	Current Term FY3/07	Change (%)	Change (value)
Domitories		31,767	33,447	5.3	1,679
	Student	18,993	19,576	3.1	583
	Corporate	7,968	8,451	6.1	483
	Dormy	2,708	3,088	14.1	380
	Outsourced	2,097	2,329	11.1	232
Hotels		10,410	13,428	29.0	3,018
	Dormy Inn	5,357	6,398	19.4	1,041
	Resort	5,052	7,029	39.1	1,977
Contracted services		13,277	11,680	-12.0	-1,596
	Office building management	7,256	6,379	-12.1	-877
	Residential property management	6,020	5,301	-11.9	-719
Food service		3,828	4,330	13.1	502
Construction		9,571	15,251	59.3	5,680
Other		3,333	4,018	20.6	685
Consolidated eliminations		-9,103	-15,870	74.3	-6,766
Total		63,084	66,287	5.1	3,202

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

2. Occupancy rates of our dormitories are shown below

Capacity and Occupancy of Our Facilities

Term / Segment	Previous Term FY3/06			Previous Term FY3/07			Change		
	Capacity	Contracts	Occupancy rate	Capacity	Contracts	Occupancy rate	Capacity	Contracts	Occupancy rate
	Persons	Persons	%	Persons	Persons	%	Persons	Persons	%
Student	—	15,206	—	—	15,458	—	—	252	—
Corporate	—	6,641	—	—	6,682	—	—	41	—
Dormy	3,338	3,289	98.5	3,604	3,516	97.6	266	227	−0. 9
	25,899	25,136	97.1	26,995	25,656	95.0	1,096	520	-2.1