Kyoritsu Maintenance Co., Ltd.

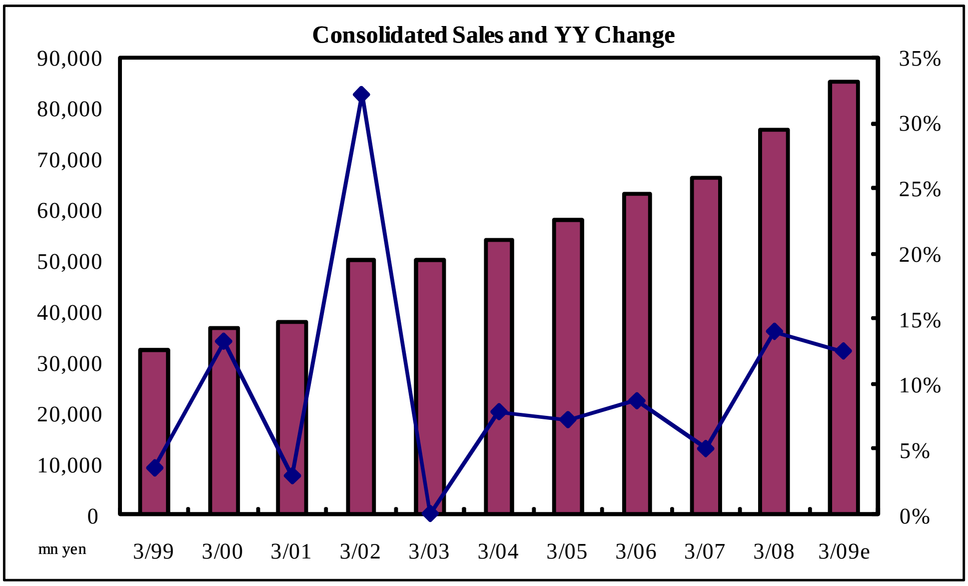
(Securities Code:　9616)

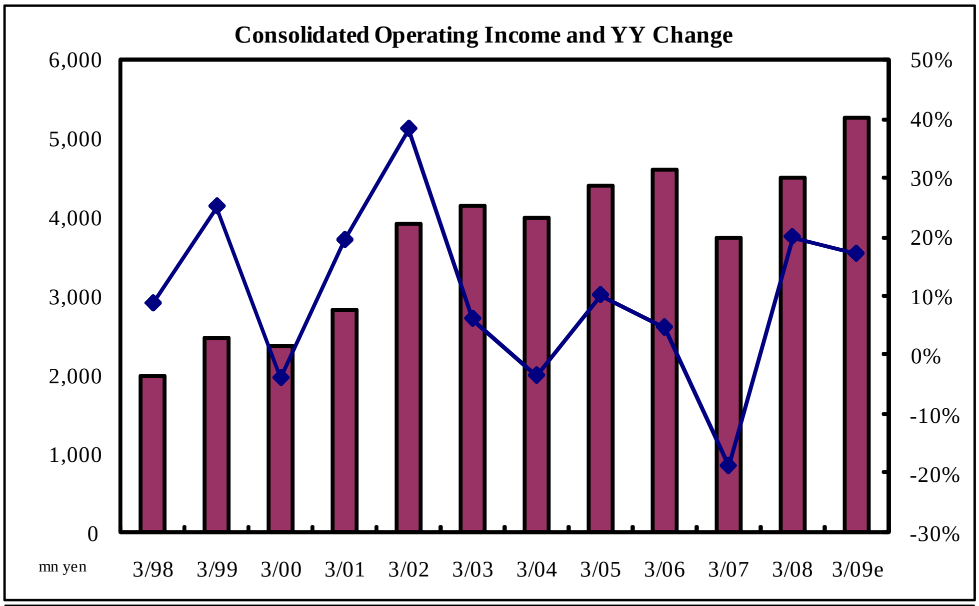
Fiscal Year March 2008

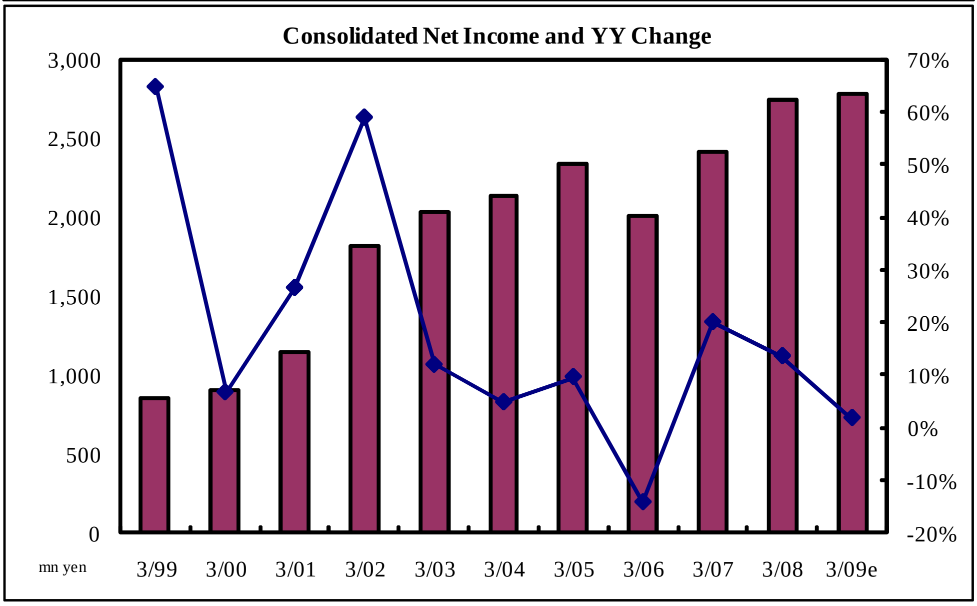
Consolidated Earnings Results Update

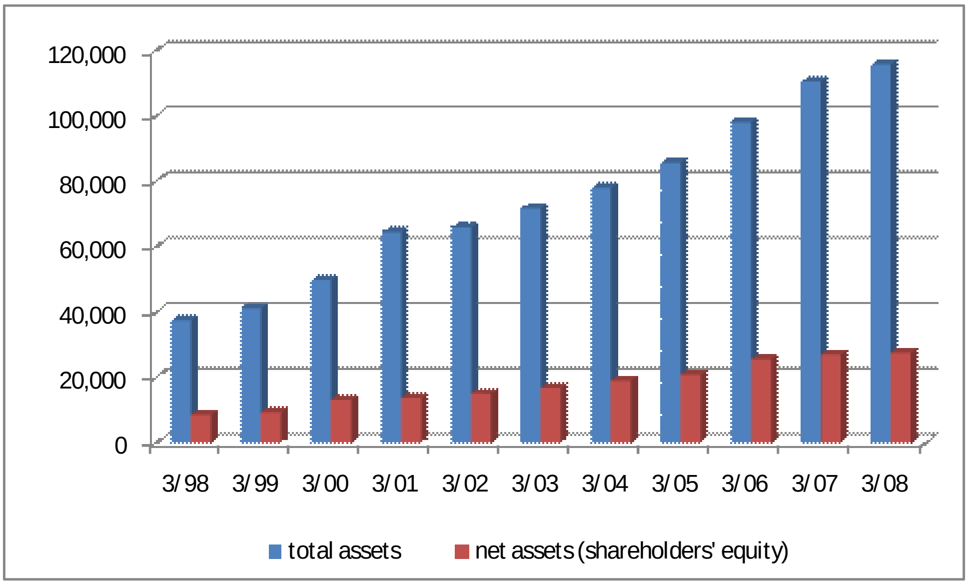
May 2008

Kyoritsu Maintenance Consolidated Financial Data at a Glance








120,000
100,000
80,000
60,000
40,000
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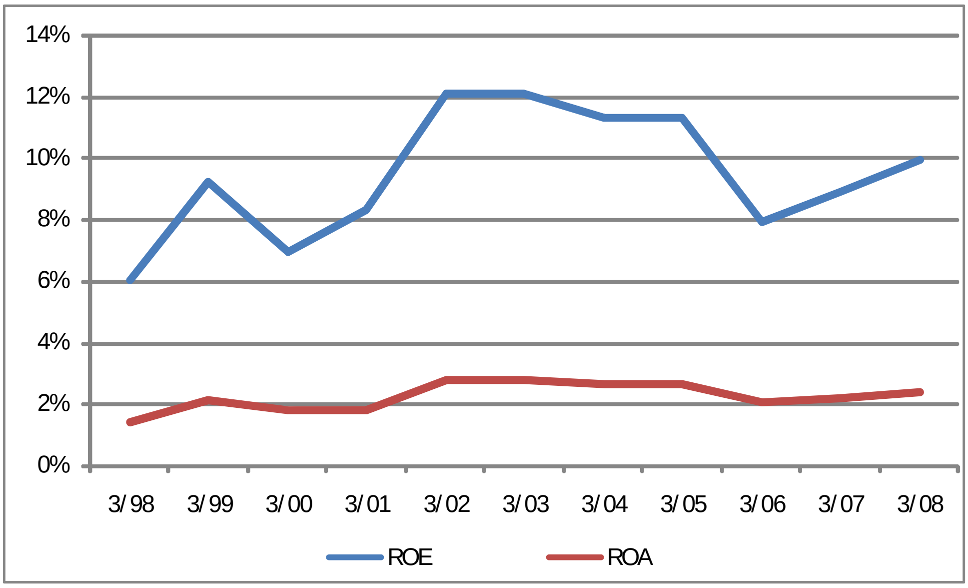
3/98 3/99 3/00 3/01 3/02 3/03 3/04 3/05 3/06 3/07 3/08
total assets
net assets (shareholders' equity)


14%
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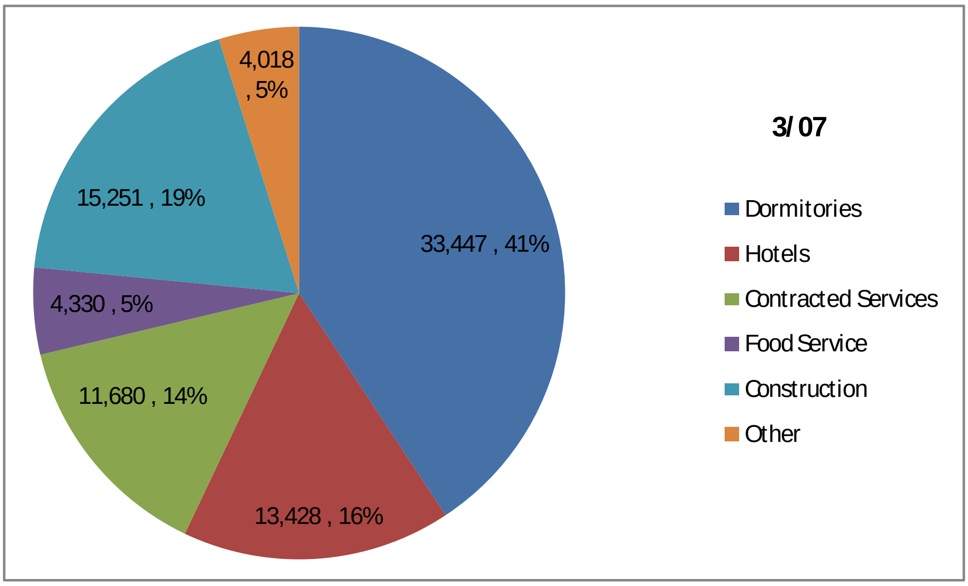
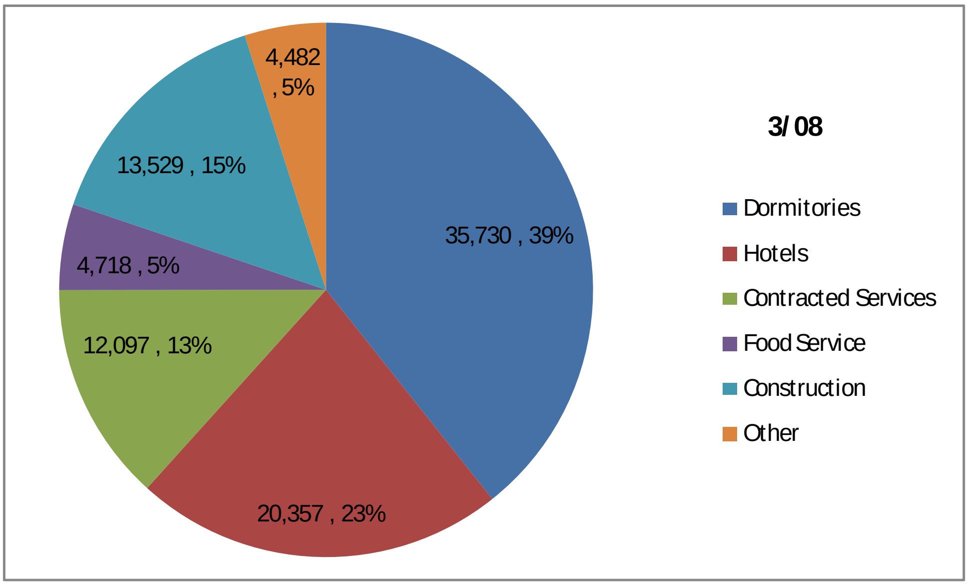
3/98 3/99 3/00 3/01 3/02 3/03 3/04 3/05 3/06 3/07 3/08
ROE
ROA


4,018 , 5%
15,251 , 19%
33,447 , 41%
4,330 , 5%
11,680 , 14%
13,428 , 16%
3/07
Dormitories
Hotels
Contracted Services
Food Service
Construction
Other


4,482 , 5%
13,529 , 15%
35,730 , 39%
4,718 , 5%
12,097 , 13%
20,357 , 23%
3/08
Dormitories
Hotels
Contracted Services
Food Service
Construction
Other

Consolidated Income Statement	**3/99**	**3/00**	**3/01**	**3/02**	**3/03**	**3/04**	**3/05**	**3/06**	**3/07**	**3/08**	**3/09e**
net sales	32,458	36,788	37,884	50,065	50,109	54,081	58,014	63,085	66,287	75,606	85,100
gross income	6,578	7,173	7,834	10,221	10,785	10,541	10,894	11,783	12,242	14,183	na
operating income	2,465	2,369	2,828	3,908	4,149	4,004	4,407	4,611	3,745	4,492	5,260
ordinary income	2,203	2,281	2,643	3,580	3,885	4,060	4,411	4,824	3,787	4,167	4,600
net income	850	907	1,147	1,822	2,039	2,138	2,343	2,011	2,413	2,740	2,790
Consolidated Balance Sheet											
current assets	15,336	19,900	23,793	18,100	22,138	22,122	23,254	23,350	24,901	19,967	na
fixed assets	25,695	29,867	40,478	47,768	49,497	55,715	62,336	74,681	85,562	95,728	na
total assets	41,144	49,880	64,327	65,867	71,647	77,865	85,620	98,047	110,507	115,738	na
current liabilities	20,921	19,731	28,513	27,031	31,610	29,374	31,585	44,039	37,342	44,119	na
fixed liabilities	10,946	16,977	22,064	23,761	23,146	29,433	33,077	28,316	46,068	44,079	na
total liabilities											
net assets (shareholders' equity)											
yy change											
net sales	3.6%	13.3%	3.0%	32.2%	0.1%	7.9%	7.3%	8.7%	5.1%	14.1%	12.6%
gross income	6.3%	9.0%	9.2%	30.5%	5.5%	-2.3%	3.3%	8.2%	3.9%	15.9%	na
operating income	25.1%	-3.9%	19.4%	38.2%	6.1%	-3.5%	10.1%	4.6%	-18.8%	19.9%	17.1%
ordinary income	18.2%	3.5%	15.9%	35.4%	8.5%	4.5%	8.6%	9.4%	-21.5%	10.0%	10.4%
net income	64.6%	6.7%	26.5%	58.8%	11.9%	4.8%	9.6%	-14.2%	20.0%	13.6%	1.8%
margins											
gross margins	20.3%	19.5%	20.7%	20.4%	21.5%	19.5%	18.8%	18.7%	18.5%	18.8%	na
operating margins	7.6%	6.4%	7.5%	7.8%	8.3%	7.4%	7.6%	7.3%	5.6%	5.9%	6.2%
ordinary margins	6.8%	6.2%	7.0%	7.2%	7.8%	7.5%	7.6%	7.6%	5.7%	5.5%	5.4%
net margins	2.6%	2.5%	3.0%	3.6%	4.1%	4.0%	4.0%	3.2%	3.6%	3.6%	3.3%
other benchmarks											
ROE	9.2%	6.9%	8.3%	12.1%	12.1%	11.3%	11.3%	7.9%	8.9%	9.9%	na
ROA	2.1%	1.8%	1.8%	2.8%	2.8%	2.7%	2.7%	2.1%	2.2%	2.4%	na
equity ratio	22.6%	26.4%	21.4%	22.9%	23.5%	24.3%	24.3%	26.0%	24.5%	23.8%	na

Fiscal Year March 2008 Earnings Annoucement

May 16, 2008

Company Name: **Kyoritsu Maintenance Co., Ltd.**
Stock Exchange: Tokyo Stock Exchange, First Section
Stock Code: 9616 Homepage: http://www.kyoritsugroup.co.jp
President: Mitsutaka Sato
Contact: Takumi Ueda, Vice President Telephone: +81-3-5295-7778
Shareholders Meeting Date: June 26, 2008 (anticipated)
Dividend Payment Date: June 27, 2008 (anticipated)
Earnings Announcement Filing Date: June 26, 2008

(Figures are rounded down to the nearest million yen)

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

(1) Consolidated Earnings

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
FY3/08	75,606	14.1	4,492	19.9	4,167	10.0	2,740	13.6
FY3/07	66,287	5.1	3,745	-18.8	3,787	-21.5	2,413	20.0

2.

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Assets Ratio	Operating Income Ratio
	Yen	Yen	%	%	%
FY3/08	186.66	149.64	10.1	3.7	5.9
FY3/07	176.98	151.74	9.2	3.6	5.7

(Reference) Equity Accounting Method Income: FY3/08: ¥28 million, FY3/07: ¥24 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY3/08	115,738	27,538	23.6	1,897.73
FY3/07	110,507	27,096	24.4	1,809.86

(Reference) Capital: ¥27,266 million in FY3/08, ¥26,948 million in FY3/07

(3) Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash Flow from Financing Activities	Cash and Equivalents at Year End
	Million Yen	Million Yen	Million Yen	Million Yen
FY3/08	3,355	-13,604	4,590	8,061
FY3/07	3,568	-3,654	1,034	13,721

2. Dividend Conditions

	Dividends per Share			Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Dividend to Net Asset Ratio (Consolidated)
Registry Date	End Interim	End Fiscal Year	Total			
	Yen	Yen	Yen	Million Yen	%	%
FY3/07	18.00	18.00	36.00	491	20.3	1.9
FY3/08	18.00	20.00	38.00	555	20.4	2.0
FY3/09 (Projected)	19.00	19.00	38.00	—	19.6	—

3. Fiscal Year March 2009 Consolidated Earnings Projection (April 1, 2008 to March 31, 2009)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Yen
Interim	42,900	8.6	3,310	9.9	2,870	3.1	1,575	0.2	109.62
Full Year	85,100	12.6	5,260	17.1	4,600	10.4	2,790	1.8	194.19

4. Others

(1) Important changes in our subsidiaries, including changes to the scope of our consolidation: None

(2) Changes in the accounting methods, procedures, display methods used in the creation of our consolidated financial statements during the most recent fiscal year:

① Changes accompanying revisions in accounting standards: Yes

② Other changes: None

(3) Shares issued (Common stock)

① Shares issued as of term end (including treasury stock): 15,125,582 shares at end FY3/08, 15,118,142 shares at end FY3/07

② Treasury stock as of term end: 757,865 shares at end FY3/08, 228,295 at end FY3/07

(Reference) Our Parent Earnings

1. FY March 2008 Parent Earnings (From April 1, 2007 to March 31, 2008)

(1) Parent Earnings

	Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
FY3/08	57,130	19.1	3,241	23.1	3,304	6.1	2,427	11.1
FY3/07	47,967	10.9	2,633	-26.7	3,113	-21.4	2,185	35.6

	EPS	**EPS, Fully Diluted**
	Yen	Yen
FY3/08	165.32	132.54
FY3/07	160.25	137.42

(2) Parent Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY3/08	100,751	25,897	25.7	1,802.48
FY3/07	90,098	25,917	28.8	1,740.61

(Reference) Capital: ¥25,897 million in FY3/08, ¥25,917 million in FY3/07

2. Parent Earnings Projections for Fiscal Year March 2009 (From April 1, 2008 to March 31, 2009)

	Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%vv	Million Yen	%vv	Million Yen	%vv	Million Yen	%vv	Yen
Interim	33,600	14.4	3,050	16.2	2,800	8.5	1,630	9.3	113.45
Full Year	64,300	12.5	4,200	29.6	3,870	17.1	2,580	6.3	179.57

- **<u>Notes and explanations regarding the appropriate uses of our earnings projections</u>**

  All projections provided within 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)

	FY3/07	FY3/08	% Year-Over-Year
Net Sales	66,287	75,606	14.1
Operating Income	3,745	4,492	19.9
Ordinary Income	3,787	4,167	10.0
Net Income	2,413	2,740	13.6

During the term under review, the Japanese economy continued to recover on support of strong capital investments and improvements in the employment market and wages. However confusion in global financial markets due to the “subprime loan problem” in the United States, pronounced weakening of the dollar, and continued high crude oil and other materials prices contributed to uncertainty over the future of our economy.

Against this backdrop, sales of our student dormitories rose due to our successful efforts to increase the number of contracts through strengthened relationships with universities and vocational schools. Also sales of our corporate dormitories grew as the labor market recovered with Japanese corporations increasing their new graduate hiring activities and from strong demand to manage training facilities. Furthermore the steady and high occupancy rates in our new Dormir 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 10 new facilities opened during the previous fiscal year, and six new Dormy Inn (business hotels) and three resort hotels opened during the current year 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. In our food service business we continued to promote strict control of variable costs, while at the same time we focused upon developing new dormitories and hotels in our construction business. Consequently we recorded sales growth of 14.1% year-over-year or ¥9,319 million to ¥75,606 million. And despite the higher operating costs associated with the opening of 9 new hotels, higher taxes arising from the revision of corporate tax laws, and increased depreciation charges we were able to record a 19.9% year-over-year rise in our operating income to ¥4,492 million. At the same time our ordinary income rose by 10.0% year-over-year to ¥4,167 million and we were able to recover from the decline in profits we recorded during the previous fiscal year. Furthermore extraordinary profits arising from the liquidation of three consolidated subsidiaries allowed us to see a 13.6% year-over-year rise in net income to ¥2,740 million, for the second consecutive year of record high net income.

As a result of these efforts our earnings per share rose by 9.68 yen to 186.66 yen, and our return on equity rose by 0.9% points to 10.1%.

2. Our Key Data by Business Segment

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

	FY3/07	FY3/08	% YY Change
Contracted Residents	25,656	27,198	6.0
Sales	33,447	35,730	6.8
Operating Income	5,340	5,461	2.3

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 3.1% year-over-year to 1.27 million. However concerns over future employment opportunities contributed to a rise in the advancement rates of high school students to colleges and vocational schools and increases 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. Therefore we were able to form new contracts with Rikkyo University, Komazawa University, Meikai University and Toyo University during the current term. We also strove to increase the usage of our student dormitory service system which offers “healthy food menus” and “fully supervised, safe and comfortable” living facilities.

Consequently the number of schools using our dormitory services rose by 1.5% year-over-year to 1,588, our contracted residents rose by 3.5% year-over-year to 15,992, and our sales grew by 5.0% year-over-year to ¥20,546 million.

The market for our corporate dormitories remained favorable with the work force growing by 0.5% year-over-year to 64.12 million workers, and new graduate hires rising by a large 18.0% year-over-year to 825,000. 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.

Against this backdrop, Kyoritsu Maintenance continued our proactive marketing efforts to provide our customers with solutions designed to resolve various problems surrounding their dormitories and training facilities. Thereby we were able to grow the number of corporate clients by 1.4% year-over-year to 1,249 and raise our sales by 9.6% year-over-year to ¥9,259 million.

In our Dormir 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 effectively extracted synergies from the students and employees referred to us from our clients at our dormitories with food services and our other functions. During the year under review, the four new facilities we opened enjoyed high occupancy rates and consequently the number of our residents rose by 5.1%

year-over-year to 3,392 and our sales grew by 9.8% year-over-year to ¥3,392 million.

In our outsourced dormitory business we are responsible for the management of dormitories owned by corporations and schools. During the term under review we were able to accurately assess the outsourcing needs of various facilities accompanying the recovery in corporate earnings and we sought to expand our orders by differentiating ourselves from our competitors to become “Japan’s best dormitory operator.” Therefore sales grew by 8.7% year-over-year to ¥2,532 million.

As a result of our efforts, the total number of facilities in our dormitory business increased by 20 to 387 and our residents grew by 1,768 to 28,763. Consequently our sales grew by 6.8% to ¥35,730 and operating income grew 2.3% year-over-year to ¥5,461 million despite higher taxes due to revisions in corporate tax laws and the increased depreciation charges.

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

	FY3/07	FY3/08	% YY Change
Sales	13,428	20,357	51.6
Operating Income	-1,127	-456	—

In our Dormy Inn business (business hotels), we have chosen to differentiate our operations by offering unique hospitality services which reflect the needs of our customers while 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 six new facilities including “La Vista Kushiro River,” “Dojima River Hot Springs Tenzin no Yu Dormy Inn Umeda East,” “Natural Hot Springs Hagi no Yu Dormy Inn Sendai Station,” “Natural Hot Springs Azusa no Yu Dormy Inn Matsumoto,” “Natural Hot Springs Tenpoku no Yu Dormy Inn Wakkanai,” and “Natural Hot Springs Kaiji no Yu Dormy Inn Koufu.” during the term under review, bringing the total number of our Dormy Inn facilities to 28. Also during the term our efforts were successful in maintaining high occupancy rates of 80.2%. Consequently our sales of this division rose by 36.4% year-over-year to ¥8,726 million.

In our resort business (resort hotel operations), we maintain the objective of providing hotels that offer “high quality resort lifestyles at reasonable prices” as well as providing “comfortable accommodations.” And during the period under review we opened three new facilities including our “Asahidake Hot Springs La Vista Daisetsuzan,” “Okuhida Hot Springs Hirayu Takumi no Yado Miyamaouan,” and “Nanki Shirahama Keisho no Yado Hamachidori no Yu Kaisyu.” All of these new facilities also received wide coverage in various media and have enjoyed a high level of customer satisfaction since their opening. Additionally we have fortified our cost management at each of our five facilities opened during the previous term and at all of the remainder of our existing facilities, and have strengthened our marketing for all of our facilities. As a result of these efforts, we saw a 65.5% year-over-year increase in sales to ¥11,630 million.

These efforts allowed us to grow the total number of our facilities by eight year-over-year to 44, our rooms by 1,250 to 5,362, and sales by 51.6% year-over-year to ¥20,357 million. However higher operating charges and depreciation from the nine new facilities, and increased taxes arising from revisions in the corporate tax laws caused us to realize an operating loss of ¥456 million. However adjusting for the ¥780 million increase in depreciation during the current term, our cash flow improved by a large margin to ¥1,451 million and our overall profitability is continuing to improve.

<Contracted Services Business> (Units: million yen)

	FY3/07	FY3/08	% YY Change
Sales	11,680	12,097	3.6
Operating Income	625	579	-7.3

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 remained severe during the term under review, and consolidation of service providers contributed to demands for price cuts and cancelation of contracts, which in turn contributed to the continued difficult operating environment.

Against this backdrop, we used our proposal based management strategy to develop new clients and strengthen our capabilities in the areas of property management and building management. At the same time we endeavored to fortify our operating foundation.

Consequently our contracted services business sales rose by 3.6% year-over-year to ¥12,097 million, while operating income declined by 7.3% year-over-year to ¥579 million.

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

	FY3/07	FY3/08	% YY Change
Sales	4,330	4,718	9.0
Operating Income	-174	28	—

In our food services business, weakening consumer sentiment on the back of the sharp rise in crude oil and other raw materials prices and diversification of customer tastes led to a continuation of a weak operating environment. With these trends in place, we continued our efforts to control variable costs and strengthen our earnings structure in part by promoting a strategy designed to cultivate new management contracts for new restaurants in hotels.

As a result of our efforts, our sales rose by 9.0% year-over-year to ¥4,718 million and we realized ¥28 million of operating income.

<Construction Business> (Units: million yen)

	FY3/07	FY3/08	% YY Change
Sales	15,251	13,529	−11.3
Operating Income	379	373	−1.6

Operating conditions in our construction business rapidly weakened as a result of revisions in the construction standards law, higher crude oil and other raw materials prices, and the tightening of loan requirements on real estate. Against this backdrop, we continued our strategy of the previous fiscal year of focusing upon development of dormitories and Dormir (studio type condominium dormitories) in the Tokyo and surrounding regions, business hotels, and resort hotels.

Consequently in our construction business we saw declines in both our sales and operating income of 11.3% year-over-year to ¥13,529 million and 1.6% year-over-year to ¥373 million respectively.

<Other Business> (Units: million yen)

	FY3/07	FY3/08	% YY Change
Sales	4,018	4,482	11.6
Operating Income	254	240	-5.3

Our other business is comprised of the wellness life (management of senior citizen housing), life (catalog and rental sales), advertising agency, rental property brokerage, comprehensive human resources, and financing services. This division’s sales rose 11.6% from the previous fiscal year to ¥4,482 million, while operating income fell by 5.3% year-over-year to ¥240 million.

3. Earnings Projections

(Consolidated) (Units: million yen)

	FY3/08 Results	FY3/09 Projections	% YY Change
Net Sales	75,606	85,100	12.6
Operating Income	4,492	5,260	17.1
Ordinary Income	4,167	4,600	10.4
Net Income	2,740	2,790	1.8

(Parent) (Units: million yen)

	FY3/08 Results	FY3/09 Projections	% YY Change
Sales	57,130	64,300	12.5
Operating Income	3,241	4,200	29.6
Ordinary Income	3,304	3,870	17.1
Net Income	2,427	2,580	6.3

On the one hand we anticipate the Japanese economy to benefit from the strong employment market with continued increases in the hiring of new graduates and younger workers. However at the same time we remain cautious over the future economy due to the subprime loan problems in the United States and the subsequent uncertainty in the financial markets, higher crude oil and other raw material prices, pronounced weakening of the dollar and uncertainty over the current strong corporate earnings environment. In addition we remain aware of the potential weaker consumer spending trends resulting from higher prices of parts and goods due to the rise in crude oil prices, and stagnant growth in personal income. Amidst these trends, the Kyoritsu Maintenance Group will pursue a strategy designed to increase our overall competitive standing within 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 95.0% occupancy rates in April, which is a leading indicator for our earnings performance in the coming year. In the coming fiscal year March 2009 we expect to develop 16 new units with 1,730 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 401 and 30,213 respectively. With regards to our marketing function in the area of our student dormitory business, we will continue to strengthen our relationships with major universities nationwide. 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. 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 marketing to corporations to receive outsourcing contracts for 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 Dormir 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 hotel business we will review the development and opening of new facilities in the coming year and focus upon a strategy of “earnings structure allowing consistent growth” by fortifying services and controlling costs at each and every one of our facilities. At the same time we will maintain our strategy of providing customers with “high quality resort style facilities at reasonable prices” and offering “comfortable accommodations” to maintain a high level of customer satisfaction.

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. Against this backdrop, we will increase the trust of our customers by aggressively promoting our expertise and know-how as a specialist service provider and offer our customers improved services to raise our competitive standing within the industry.

With regards to our food service business, we will continue to focus our attention on improving our profitability 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 new restaurants outside of our Group.

In our construction business, we will continue to increase the supply of our Dormir facilities (studio-type condominium dormitories) to meet the continued 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 12.6% year-over-year to ¥85,100 million, and operating, ordinary and net incomes to rise by 17.1%, 10.4% and 1.8% year-over-year to ¥5,260, ¥4,600, and ¥2,790 million respectively. And at the parent level we project our sales to rise by 12.5% year-over-year to ¥64,300 million, and our operating, ordinary, and net incomes to grow by 29.6%, 17.1% and 6.3% year-over-year to ¥4,200, ¥3,870, and ¥2,580 million respectively, putting Kyoritsu squarely back on a growth trend.

(2) Analysis of Financial Conditions

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

Our total assets increased by ¥5,230 million from the end of the previous fiscal year to ¥115,738 million. The main reason for this growth was the rise in tangible fixed assets.

Liabilities grew by ¥4,788 million year-over-year to ¥88,199 million during the term under review. The main factor for this increase was the rise in current liabilities.

Our net assets also rose by ¥442 million from the end of the last fiscal year to ¥27,538 million.

2. Cash Flow Conditions

During the term under review our consolidated cash and equivalents fell by ¥5,659 million to ¥8,061 million. We provide details of our cash flow below.

(Cash Flow from Our Operating Activities)

During the current fiscal year, we saw large increases in prepayments associated with the contracts of our dormitories, and in real estate inventories for our construction business. Consequently our operating cash flow declined by ¥213 million to a net inflow of ¥3,355 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 for security deposits and refurbishment of new and existing offices and other facilities. Consequently we saw a ¥9,950 million increase in our net outflow to ¥13,604 million from the previous year.

(Cash Flows from Our Financing Activities)

During the current year, we saw an inflow from increases in debt to be used for capital investments for the expansion of our business operations. Consequently our financing cash flow increased by ¥3,555 million to a net inflow of ¥4,590 million.

(Reference) Cash Flow Indicators

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

	FY3/04	FY3/05	FY3/06	FY3/07	FY3/08
Net Asset Ratio (%)	24.3	24.3	26.0	24.4	23.6
Capital Adequacy Ratio, Market Capitalization Based (%)	29.7	29.3	61.1	36.9	22.1
Cash Flow to Interest Bearing Debt Ratio (%)	12.3	5.7	7.7	14.7	17.5
Interest Rate Coverage Ratio	5.3	13.0	10.6	4.9	3.6

Net Asset Ratio: Net Assets / Total Assets

Capital Adequacy Ratio: Market Capitalization / Total Assets

Cash Flow to Interest Bearing Debt Ratio: Interest Bearing Debt / Operating Cash Flow

Interest Coverage Ratio: Operating Cash Flow / Interest Payments

1. Each indicator is based on consolidated financial data.
2. Market capitalization excludes treasury stock.
3. Cash flow 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 over 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 have decided to raise our term end dividend by ¥2 to ¥20 per share, and our full year dividend is expected to reach ¥38 per 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 providinga hig hly relaxing environment and experience to our residents, making them feel as if they were intheir own home. In addition to our efforts to strengthen our relationships with various schools to provide their stu dents with room and board, we provide flexible housing solutions to Japanese corporations, whose e mployee numbers change dramatically, by supplying them with only the number of rooms they need to match the number of employees needing housing. But because our dormitories are primarily leased f rom 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 scho ols, 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 our facilities from our competitors. 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 corporate 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-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 methods 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 at times when there are dramatic fluctuations in the economy and financial markets.

5. Important Contracts

344 of the 387 dormitories we operate, and another 35 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, 25 have 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 ¥12,962 million as of end March 2008.

6. Our Dependence upon Interest Bearing Debt and the Influence of Interest Rate Trends

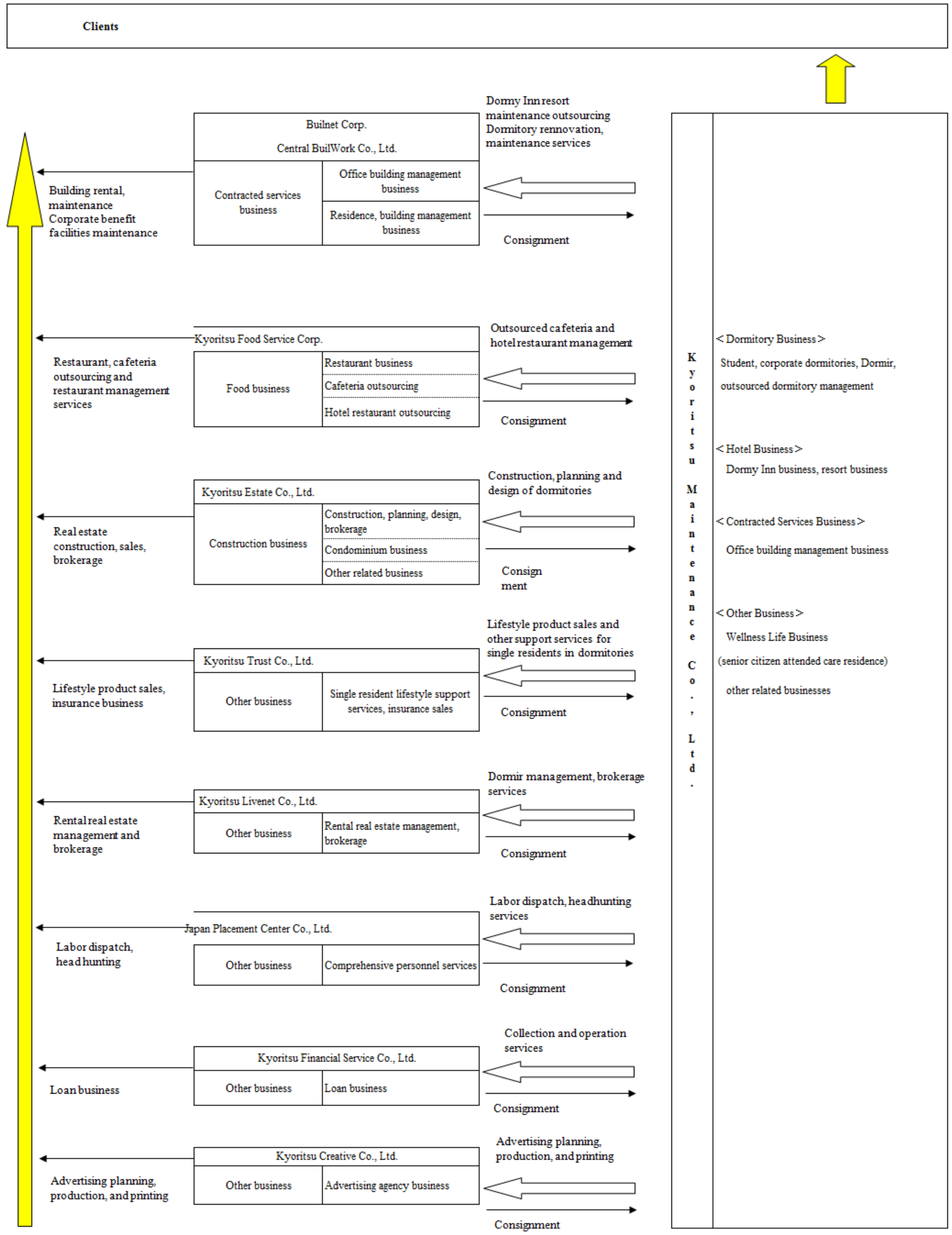
In our business, we use bank debt in addition to our own capital and our interest bearing debt ratio as a percentage of our total assets stood at 50.6% at end fiscal year March 2008. As for our Group, we are pursuing a strategy of reducing our dependence upon interest bearing liabilities which includes 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 2008, 76.8% 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, 14 subsidiaries, and three affiliated companies. Our main businesses consist of 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. One other company
Hotels	Dormy Inn (Long-term stay business hotels) Resort hotels	Kyoritsu Maintenance Co., Ltd. Six other companies
Contracted Services	Office building management business Residential property management business	Builnet Corporation Kyoritsu Maintenance Co., Ltd. One other company
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 possible effort to provide the "highest level of customer satisfaction" 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, 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 for 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 in the major metropolitan areas. Furthermore, we seek to strengthen our standing in the market and expand our operating territory by fortifying our cooperation with vocational schools and major universities throughout Japan. 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 Dormir 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 proposal-based marketing capability and raising the quality levels and service line-up of our contracted service business to raise our competitive standing in the industry.

With regard to our food service business, we seek to improve both the flavor and service of our hotel restaurants, stand alone restaurants, and restaurants attached to golf courses. 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, Dormir 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 our own 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 improve 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 “excel” (To overcome obstacles and to break free of impediments to progress.) to create a high level of quality control which permeates all of our services.　During the coming year we have chosen the term “progress” as the theme of our business strategy (To steadily progress, and to achieve our goals.).　As part of this strategy we will steadily advance our business strategy.　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 FY3/07 (March 31, 2007) Value		Share %	Current Term FY3/08 (March 31, 2008) Value		Share %	Change
Assets								
I Current assets								
1. Cash and deposits			14,333			9,193		
2. Notes and accounts receivables			2,899			2,973		
3. Marketable securities			28			79		
4. Inventories			1,939			3,030		
5. Deferred tax assets			831			834		
6. Others			4,913			3,903		
Doubtful account reserves			-43			-46		
Total current assets			24,901	22.6		19,967	17.3	-4,933
II Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures		27,538			34,130			
Aggregated depreciation		-7,092	20,445		-8,912	25,218		
(2) Land			19,787			22,563		
(3) Buildings, structures in trust		8,453			6,810			
Aggregated depreciation		-384	8,068		-326	6,484		
(4) Real estate trust			4,902			2,558		
(5) Construction in progress			6,255			8,318		
(6) Others		3,333			4,347			
Aggregated depreciation		-1,966	1,367		-2,678	1,669		
Total tangible fixed assets			60,827	55.0		66,812	57.7	5,984
2. Intangible fixed assets								
(1) Goodwill			92			—		
(2) Others			2,545			2,910		
Total intangible fixed assets			2,638	2.4		2,910	2.5	272
3. Investments and other assets								
(1) Investment securities			5,510			6,879		
(2) Long-term loans			849			795		
(3) Guaranteed deposits			6,429			6,974		
(4) Security deposits			5,327			6,453		
(5) Deferred tax assets			1,672			2,542		
(6) Others			2,409			2,471		
Doubtful account reserves			-101			-110		
Total investments and other assets			22,095	20.0		26,005	22.5	3,909
Total fixed assets			85,562	77.4		95,728	82.7	10,166
Ⅲ Deferred assets								
Bond issuance expense			43			41		
Total deferred assets			43	0.0		41	0.0	-1
Total assets			110,507	100.0		115,738	100.0	5,230

Item	Previous Term FY3/07 (March 31, 2007) Value	Share	Current Term FY3/08 (March 31, 2008) Value	Share	Change
Liabilities					
Ⅰ Current liabilities					
1. Accounts payable	2,989		3,093		
2. Short term debt	12,311		20,235		
3. Redeemable portion of bond within one year	1,600		1,760		
4. Accrued corporate and other tax	2,349		1,035		
5. Deferred tax liabilities	3		―		
6. Deposits	11,658		11,972		
7. Bonus reserves	799		1,072		
8. Bonus reserves for directors	122		167		
9. Compensation for completed work reserves	82		24		
10. Others	5,424		4,757		
Total current liabilities	37,342	33.8	44,119	38.1	6,777
Ⅱ Fixed liabilities					
1. Bonds	14,907		14,731		
2. Long-term debt	22,364		20,773		
3. Long-term lease payables	1,069		1,014		
4. Long-term guarantees received	4,146		4,171		
5. Deferred tax liabilities	877		830		
6. Retirement benefit reserves	1,033		1,058		
7. Director retirement reserves	395		403		
8. Others	1,275		1,096		
Total fixed liabilities	46,068	41.7	44,079	38.1	-1,989
Total liabilities	83,411	75.5	88,199	76.2	4,788
(Net assets)					
Ⅰ Shareholders' equity					
1. Capital stock	5,128	4.6	5,136	4.4	8
2. Capital reserves	5,935	5.4	5,943	5.1	8
3. Retained earnings	16,191	14.7	18,422	15.9	2,231
4. Treasury stock	-348	-0.4	-1,466	-1.2	-1,118
Total shareholders' equity	26,907	24.3	28,036	24.2	1,128
Ⅱ Valuation, translation gains					△
1. Other marketable security valuation gains	40	0.1	-770	-0.6	-810
2. Gains from deferred hedges	-	-	―	―	0
Total valuation, translation gains	41	0.1	-770	-0.6	-811
Ⅲ Minority holdings	147	0.1	272	0.2	124
Total net assets	27,096	24.5	27,538	23.8	442
Total liabilities, net assets	110,507	100.0	115,738	100.0	5,230

(2) Consolidated Income Statement

Units: million yen

Items		Previous Term From April 1, 2006 to March 31, 2007 Value		Share	Current Term From April 1, 2007 to March 31, 2008 Value		Share	Change
Ⅰ	Net sales		66,287	100.0		75,606	100.0	9,319
Ⅱ	CGS		54,044	81.5		61,422	81.2	7,377
	Gross income		12,242	18.5		14,183	18.8	1,941
Ⅲ	SG&A		8,496	12.8		9,691	12.9	1,195
	Operating income		3,745	5.7		4,492	5.9	746
Ⅳ	Non-operating income							
1.	Interest received	45			302			
2.	Dividend received	246			62			
3.	Marketable securities sale	160			—			
4.	Deposit returns	157			162			
5.	Minority shareholding profit	24			28			
6.	Others	383	1,017	1.5	242	799	1.1	-218
Ⅴ	Non-operating expense							
1.	Interest payment	725			866			
2.	Bond issuance expense	16			12			
3.	Others	234	975	1.5	245	1,123	1.5	148
	Ordinary income		3,787	5.7		4,167	5.5	380
Ⅵ	Extraordinary income							
1.	Marketable securities sale	38			139			
2.	Fixed asset sale profit	51			1,350			
3.	Liquidation gain on investment securities	1,605			—			
4.	Others	43	1,739	2.6	369	1,859	2.5	120
Ⅶ	Extraordinary loss							
1.	Impairment accounting loss	547			370			
2.	Marketable securities valuation loss	—			235			
3.	Others	124	672	1.0	39	645	0.9	-26
	Net income before taxes		4,854	7.3		5,381	7.1	526
	Corporate and other taxes	3,148			2,895			
	Adjustment for taxes	-727	2,420	3.7	-362	2,533	3.4	113
	Minority shareholding profits		21	-		106	0.1	85
	Net income		2,413	3.6		2,740	3.6	327

(3) Change in Consolidated Shareholder's Equity Statement (Summary)
FY3/07 (From April 1, 2006 to March 31, 2007)

	Shareholders' Equity				
	Capital	Capital Reserves	Retained Earnings	Treasury Stock	Shareholders' Equity
As of March 31, 2006	5,051	5,857	14,680	-326	25,263
Changes in the fiscal year					
New shares resulting from CB, stock option exercise	77	76			154
Dividends from retained earnings (note)			-222		-222
Dividends from retained earnings			-223		-223
Director bonuses (note)			-157		-157
Net income			2,413		2,413
Rise from increase in consolidated subsid			-299		-299
Treasury stock acquisition				-22	-22
Treasury stock disposal		-		-	1
Other changes					
Total changes during the quarter	77	77	1,510	-21	1,643
As of March 31, 2007	5,128	5,935	16,191	-348	26,907

	Valuation, Translation Gains			Minority Holdings	Total Net Assets
	Others	Deferred	Valuation, Translation		
As of March 31, 2006	249	—	249	179	25,691
Changes in the fiscal year					
New shares resulting from CB, stock option exercise					154
Dividends from retained earnings (note)					-222
Dividends from retained earnings					-223
Director bonuses (note)					-157
Net income					2,413
Rise from increase in consolidated subsid					-299
Treasury stock acquisition					-22
Treasury stock disposal					1
Other changes	-208	-	-207	-31	-239
Total changes during the quarter	-208	-	-207	-31	1,404
As of March 31, 2007	40	-	41	147	27,096

(Note) Allocation of profits determined in the annual shareholders meeting held in

FY3/08 (From April 1, 2007 to March 31, 2008)

	Shareholders' Equity				
	Capital	Capital Reserves	Retained Earnings	Treasury Stock	Shareholders' Equity
As of March 31, 2007	5,128	5,935	16,191	-348	26,907
Changes in the fiscal year					
New shares resulting from CB, stock option exercise	8	7			16
Dividends from retained earnings			-536		-536
Director bonuses			-		-
Net income			2,740		2,740
Rise from increase in consolidated subsid			26		26
Treasury stock acquisition				-1,119	-1,119
Treasury stock disposal		-		-	-
Other changes					
Total changes during the quarter	8	8	2,231	-1,118	1,128
As of March 31, 2008	5,136	5,943	18,422	-1,466	28,036

	Valuation, Translation Gains			Minority Holdings	Total Net Assets
	Others	Deferred	Valuation,		
As of March 31, 2007	40	-	41	147	27,096
Changes in the fiscal year					
New shares resulting from CB, stock option exercise					16
Dividends from retained earnings					-536
Director bonuses					-
Net income					2,740
Rise from increase in consolidated subsid					26
Treasury stock acquisition					-1,119
Treasury stock disposal					-
Other changes	-810	0	-811	124	-686
Total changes during the quarter	-810	0	-811	124	442
As of March 31, 2008	-770	—	-770	272	27,538

(4) Consolidated Cash Flow Statement Units: million yen

	Previous Term From April 1, 2006 to March 31, 2007	Current Term From April 1, 2007 to March 31, 2008	Change
Items	Value	Value	Value
I Cash flows from operating activities			
Net income before taxes and other adjustments	4,854	5,381	526
Depreciation and amortization	2,101	2,927	825
Fixed asset liquidation loss	—	-1,338	-1,338
Impairment loss	547	370	-176
Change in bonus reserves	-191	261	453
Change in director bonus reserves	122	—	-122
Interest and dividends received	-291	-365	-73
Interest payment	725	866	141
Liquidation of marketable securities	-198	-193	4
Valuation loss on marketable securities	—	235	235
Liquidation loss on marketable securities	-1,605	—	1,605
Change in receivables	654	17	-636
Change in trust benefit	-293	100	393
Change in accounts due	410	-38	-449
Change in inventories	-641	-1,089	-448
Change in accounts payable	-1,240	412	1,652
Change in prepayment received	544	335	-208
Change in deposits	60	—	-60
Bonus payment to directors	-164	—	164
Change in deposits from customers	-114	-143	-29
Others	367	341	-25
Subtotal	5,647	8,082	2,435
Interest and dividends received	280	344	63
Interest payment	-724	-934	-209
Corporate tax returns	—	58	58
Corporate tax payment	-1,635	-4,196	-2,561
Cash flows from operating activities	3,568	3,355	-213
II Cash flows from investing activities			
Change in time deposits	—	-500	-500
Acquisition of marketable securities	-4,114	-4,937	-823
Sales of marketable securities	6,620	1,498	-5,122
Liquidation of marketable securities	1,761	—	-1,761
Acquisition of tangible fixed assets	-15,404	-13,082	2,321
Tangible fixed assets liquidation income	8,787	4,982	-3,804
Intangible fixed asset acquisition	-522	-184	337
Long term prepayments	-414	-430	-15
Loans extended	-480	-559	-78
Loans recovered	517	528	11
Rental deposits paid	-1,016	-2,141	-1,124
Rental deposits recovered	287	1,094	806
Shares acquired from subsidiaries	—	-23	-23
Others	325	152	-173
Cash flows from investing activities	-3,654	-13,604	-9,950
III Cash flows from financing activities			
Increase in short-term debt	-10,540	8,220	18,760
Increase in long-term debt	12,360	10,012	-2,348
Repayment of long-term debt	-10,355	-11,900	-1,544
Income from bond issued	11,584	1,589	-9,995
Payment for bond redeemed	-1,440	-1,600	-160
Acquisition of treasury stock	-22	-1,119	-1,096
Dividend payment	-445	-535	-89
Dividend payment to minority shareholder	-27	-24	2
Others	-79	-52	26
Cash flows from financing activities	1,034	4,590	3,555
IV Translation gains for cash and equivalents	—	—	—
V Net change in cash and equivalents	949	-5,659	-6,609
VI Cash and equivalents at term start	12,236	13,721	1,484
VII Addition to cash from consolidation changes	535	—	-535
VIII Cash and equivalents at term end	13,721	8,061	-5,659

Segment Information

(1) Information by Business Segment

FY3/07 (From April 1, 2006 to March 31, 2007)

(Units: Million yen)

		Dormitories	Hotels	Contracted	Food Service	Construction	Other	Total	Company Wide	Consolidated
Ⅰ	Sales, Operating income Sales									
(1)	External sales	33,396	13,274	8,257	2,177	6,689	2,491	66,287	—	66,287
(2)	Internal sales Special accounts	50	153	3,423	2,153	8,562	1,527	15,870	15,870	—
	Total	33,447	13,428	11,680	4,330	15,251	4,018	82,157	15,870	66,287
	Operating expense	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, other outlays 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
	Impairment accounting	148	—	—	204	—	204	558	11	547
	Capital outlay	997	14,963	408	31	20	19	16,440	980	15,460

FY3/08 (From April 1, 2007 to March 31, 2008)

(Units: Million yen)

		Dormitories	Hotels	Contracted	Food Service	Construction	Other	Total	Company Wide	Consolidated
Ⅰ	Sales, Operating income Sales									
(1)	External sales	35,655	20,180	8,666	2,523	5,758	2,822	75,606	—	75,606
(2)	Internal sales Special accounts	74	176	3,431	2,195	7,771	1,659	15,309	15,309	—
	Total	35,730	20,357	12,097	4,718	13,529	4,482	90,916	15,309	75,606
	Operating expense	30,269	20,813	11,517	4,689	13,156	4,242	84,689	13,575	71,114
	Operating income	5,461	-456	579	28	373	240	6,226	1,734	4,492
Ⅱ	Assets, depreciation, other outlays Assets	35,121	52,447	13,127	1,613	6,499	5,755	114,563	1,174	115,738
	Depreciation	833	1,882	137	22	27	39	2,942	15	2,927
	Impairment accounting	267	98	—	8	—	—	374	4	370
	Capital outlay	3,556	10,193	38	10	576	1	14,376	1,194	13,182