

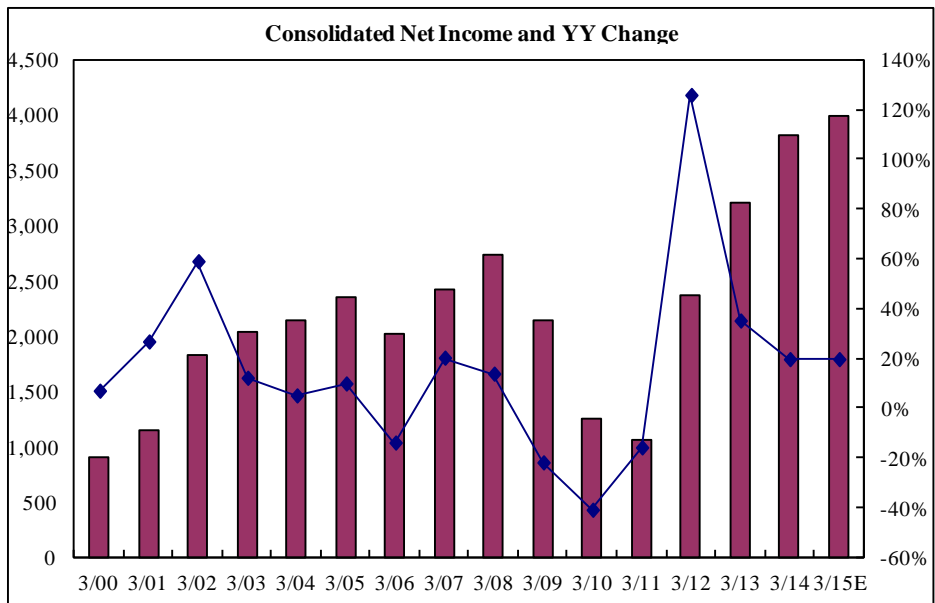
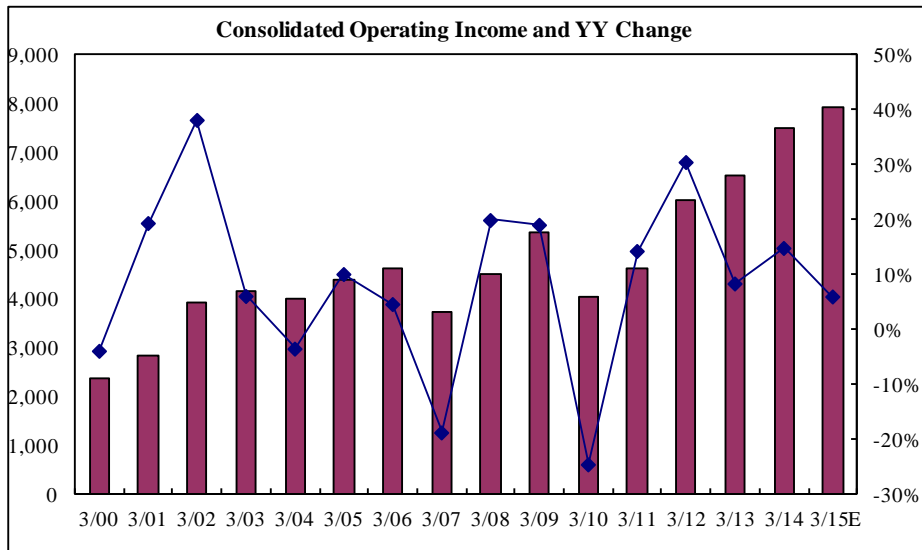


Kyoritsu Maintenance Co., Ltd.
(Securities Code: 9616)

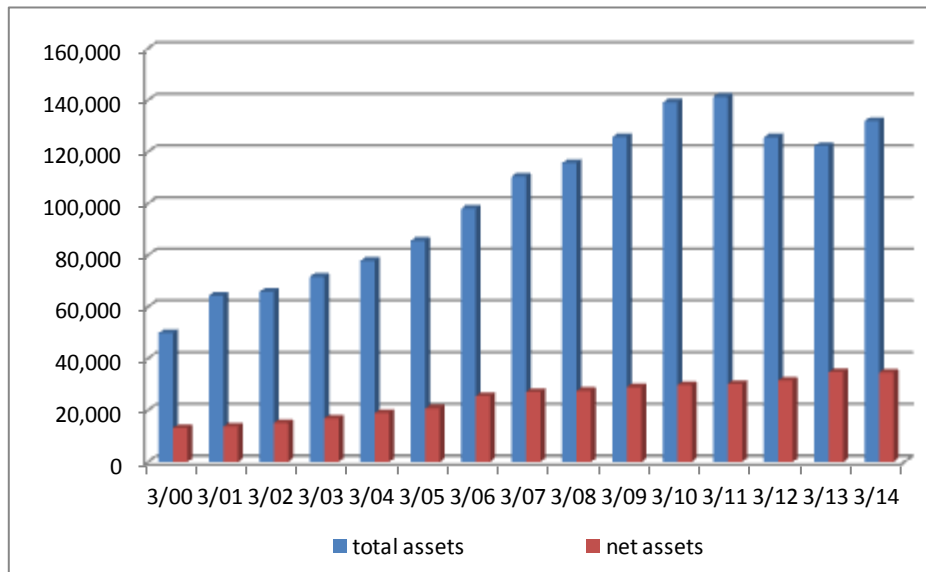
Fiscal Year March 2014
Consolidated Earnings Results Update

May 2014

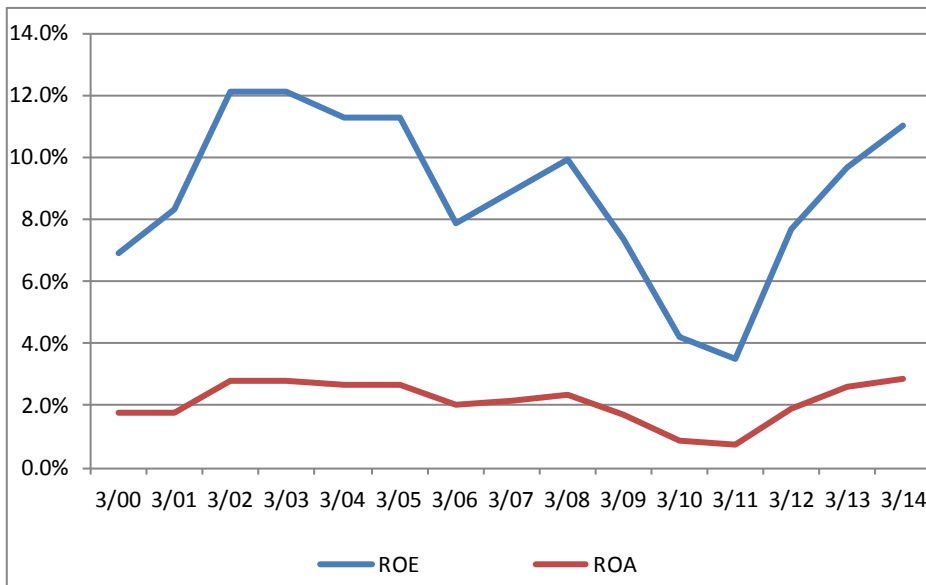
Kyoritsu Maintenance Consolidated Financial Data at a Glance

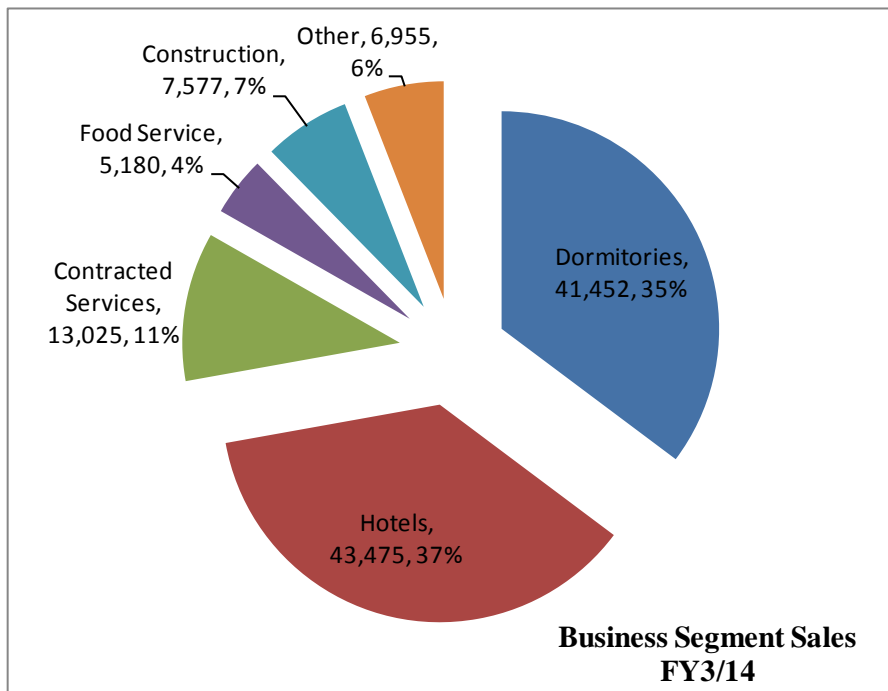
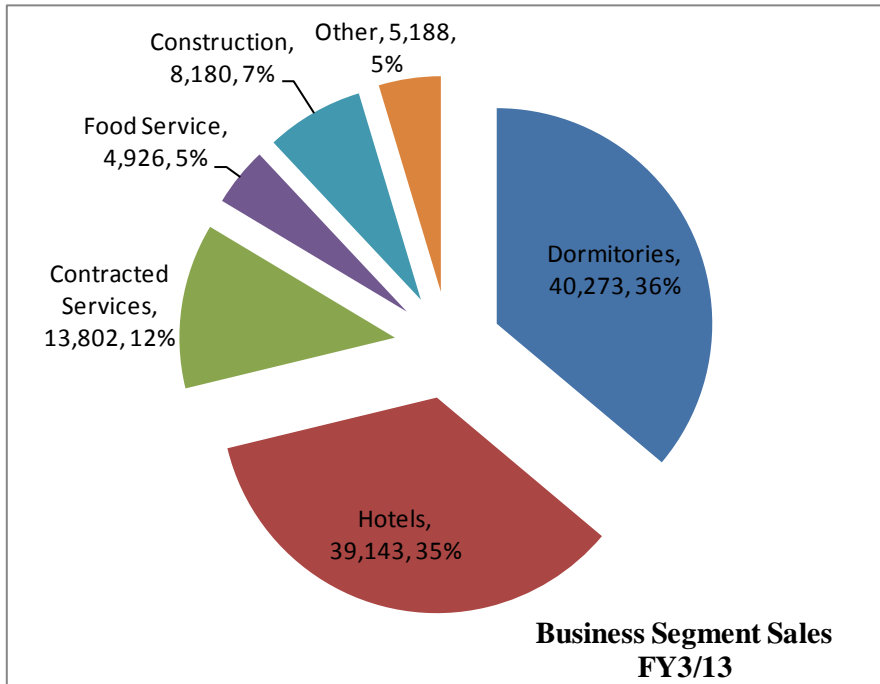


(Units: Million Yen)



(Units: Million Yen)





(Units: Million Yen)

Consolidated Income Statement		3/05	3/06	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14	3/15E
net sales		58,014	63,085	66,287	75,606	82,303	84,513	84,983	91,170	99,472	105,216	112,100
gross income		10,894	11,783	12,242	14,183	15,507	13,957	15,408	17,863	19,910	21,524	na
operating income		4,407	4,611	3,745	4,492	5,349	4,033	4,610	6,017	6,521	7,490	7,940
ordinary income		4,411	4,824	3,787	4,167	4,510	3,012	3,308	4,602	5,599	6,796	7,100
net income		2,343	2,011	2,413	2,740	2,133	1,254	1,052	2,376	3,206	3,829	4,000
Consolidated Balance Sheet												
current assets		23,254	23,350	24,901	19,967	21,852	23,104	36,783	28,234	30,852	37,473	na
fixed assets		62,336	74,681	85,562	95,728	103,891	115,980	104,428	97,319	91,335	94,434	na
total assets		85,620	98,047	110,507	115,738	125,793	139,209	141,314	125,649	122,259	131,995	na
current liabilities		31,585	44,039	37,342	44,119	41,615	41,499	50,546	38,961	38,892	40,819	na
fixed liabilities		33,077	28,316	46,068	44,079	55,266	67,956	60,600	55,135	48,584	56,586	na
total liabilities		64,663	72,355	83,411	88,199	96,882	109,455	111,147	94,097	87,476	97,405	na
net assets		20,788	25,512	27,096	27,538	28,911	29,753	30,166	31,551	34,782	34,590	na
3-year change												
net sales		7.3%	8.7%	5.1%	14.1%	8.9%	2.7%	0.6%	7.3%	9.1%	5.8%	6.5%
gross income		3.3%	8.2%	3.9%	15.9%	9.3%	-10.0%	10.4%	15.9%	11.5%	8.1%	na
operating income		10.1%	4.6%	-18.8%	19.9%	19.1%	-24.6%	14.3%	30.5%	8.4%	14.9%	6.0%
ordinary income		8.6%	9.4%	-21.5%	10.0%	8.2%	-33.2%	9.8%	39.1%	21.7%	21.4%	4.5%
net income		9.6%	-14.2%	20.0%	13.6%	-22.2%	-41.2%	-16.1%	125.7%	34.9%	19.4%	4.5%
margins												
gross margins		18.8%	18.7%	18.5%	18.8%	18.8%	16.5%	18.1%	19.6%	20.0%	20.5%	na
operating margins		7.6%	7.3%	5.6%	5.9%	6.5%	4.8%	5.4%	6.6%	6.6%	7.1%	7.1%
ordinary margins		7.6%	7.6%	5.7%	5.5%	5.5%	3.6%	3.9%	5.0%	5.6%	6.5%	6.3%
net margins		4.0%	3.2%	3.6%	3.6%	2.6%	1.5%	1.2%	2.6%	3.2%	3.6%	3.6%
other benchmarks												
ROE		11.3%	7.9%	8.9%	9.9%	7.4%	4.2%	3.5%	7.7%	9.7%	11.0%	na
ROA		2.7%	2.1%	2.2%	2.4%	1.7%	0.9%	0.7%	1.9%	2.6%	2.9%	na
net asset ratio		24.3%	26.0%	24.5%	23.8%	23.0%	21.4%	21.3%	25.1%	28.4%	26.2%	na
Units: million yen												



Fiscal Year March 2013 Consolidated Earnings Announcement

May 15, 2014

Company Name: Kyoritsu Maintenance Co., Ltd.

Tokyo Stock Exchange

Stock Code: 9616, URL: <http://www.kyoritsugroup.co.jp/>

Director: Mitsutaka Sato, President

Contact: Takumi Ueda, Vice President, Tel: +81-3-5295-7778

General Shareholders Meeting (Anticipated): June 26, 2014, Dividend Payment Date (Anticipated): June 27, 2014

Financial Accounts Filing Date (Anticipated): June 26, 2014

Earnings Presentation Document: Available

Earnings Presentation Meeting: For institutional investors

(Figures of less than one million yen are rounded down to the nearest digit)

1. Fiscal Year March 2014 Consolidated Earnings (From April 1, 2013 to March 31, 2014)

(1) Consolidated Earnings (Aggregated)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	% yy	Million yen	% yy	Million yen	% yy	Million yen	% yy
FY3/14	105,216	5.8	7,490	14.9	6,796	21.4	3,829	19.4
FY3/13	99,472	9.1	6,521	8.4	5,599	21.7	3,206	34.9

(Note) Comprehensive income: ¥4,059 million (7.1%) in FY3/14, 3,791 million (67.0%) in FY3/13

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Asset Ratio	Operating Margin
	Yen	Yen	%	%	%
FY3/14	290.23	271.13	11.0	5.3	7.1
FY3/13	227.21	—	9.7	4.5	6.6

(Reference) Equity accounting method profit: ¥0 in FY3/14, ¥0 in FY3/13

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value per Share
	Million yen	Million yen	%	Yen
FY3/14	131,995	34,590	26.2	2,653.13
FY3/13	122,259	34,782	28.4	2,465.00

(Reference) Capital: ¥34,590 million in FY3/14, ¥34,782 million in FY3/13

(3) Consolidated Cash Flow Conditions

	Operating Cash Flow	Investing Cash Flow	Financing Cash Flow	Cash and Equivalents at Term End
	Million yen	Million yen	Million yen	Million yen
FY3/14	7,692	-6,333	5,535	23,750
FY3/13	5,025	2,039	-8,402	16,665

2. Dividend Conditions

	Dividends Per Share					Total Dividend Payment (Annual)	Dividend Payout Ratio (Consolidated)	Dividend to Net Asset Ratio (Consolidated)
	End 1Q	End 2Q	End 3Q	End Year	Full Year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/13	—	19.00	—	24.00	43.00	606	18.9	1.8
FY3/14	—	21.00	—	27.00	48.00	625	16.5	1.9
FY3/15 Est.	—	24.00	—	24.00	48.00		15.6	

3. Fiscal Year March 2015 Consolidated Earnings Estimates (April 1, 2014 to March 31, 2015)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	% yy	Million yen	% yy	Million yen	% yy	Million yen	% yy	Yen
First Half	54,900	6.3	4,250	3.0	3,900	3.8	2,300	5.0	176.41
Full Year	112,100	6.5	7,940	6.0	7,100	4.5	4,000	4.5	306.81

Notes:

- (1) Important changes in our subsidiaries, including changes to the scope of our consolidation: None
- (2) Changes in the accounting policies, procedures, and changes or revisions in the display of accounting estimates:
 - ① Changes accompanying revisions in accounting policies: Applicable
 - ② Other changes: None
 - ③ Changes in accounting estimates: None
 - ④ Redisplay of revisions: None

(3) Shares issued (Common shares)

- ① Shares issued as of term end (including treasury shares):
- ② Treasury stock as of term end:
- ③ Average during the term:

FY3/14	15,125,582	FY3/13	15,125,582
FY3/14	2,088,126	FY3/13	1,014,894
FY3/14	13,193,752	FY3/13	14,111,430

(Reference) Parent Earnings Results

1. Fiscal Year March 2014 Parent Earnings (From April 1, 2013 to March 31, 2014)

(1) Parent Earnings

	Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	% yy	Million yen	% yy	Million yen	% yy	Million yen	%
FY3/14	88,559	8.5	6,982	19.5	6,995	34.1	4,258	58.6
FY3/13	81,633	8.8	5,842	20.1	5,216	37.3	2,684	46.6

	EPS	Fully Diluted EPS
	Yen	Yen
FY3/14	322.76	301.52
FY3/13	190.25	—

(2) Parent Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value Per Share
	Million yen	Million yen	%	Yen
FY3/14	121,753	31,887	26.2	2,445.85
FY3/13	111,065	31,734	28.6	2,248.98

(Reference) Capital: ¥31,887 million in FY3/14, ¥31,734 million in FY3/13

2. Fiscal Year March 2015 Parent Earnings Estimates (April 1, 2014 to March 31, 2015)

	Sales		Ordinary Income		Net Income		EPS
	Million yen	% yy	Million yen	% yy	Million yen	% yy	Yen
First Half	47,600	7.3	3,950	-7.8	2,450	-12.4	187.92
Full Year	93,100	5.1	7,070	1.1	4,370	2.6	335.19

* Regarding the implementation of audit procedures in the display of this document:

This earnings announcement is exempted from the financial instruments and exchange act founded in the audit procedures, and at the time of the release of this earnings announcement, the auditing procedures for the financial statements in this document have not been completed.

Notes and explanation of appropriate usage of earnings estimates:

All earnings estimates and forward looking statements in this document are based on the best information available and rational decisions of management at the time of its creation, and actual earnings may diverge largely from those estimates and forward looking statements put forward in this document due to various unforeseen factors. Moreover, for information regarding earnings estimates and the assumptions upon which they are based, and the usages of these earnings estimates, please refer to the section "Analysis of Earnings Performance" on page 5.

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1. Analysis of Business Results, Financial Condition

(1) Analysis of Business Results

1. Overview of Overall Earnings in Current Term

(Consolidated Earnings)

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Net Sales	99,472	105,216	5.8
Operating Income	6,521	7,490	14.9
Ordinary Income	5,599	6,796	21.4
Net Sales	3,206	3,829	19.4

During the current fiscal year, the Japanese economy showed signs of recovery on the back of financial and fiscal stimulus measures of the Government, a recovery in share prices, and the weaker yen. However, higher raw materials prices and slowing in various economies around the world continued to cloud the economic horizon. Against this backdrop, the main dormitory business got off to a good start with occupancy rates of 97.0% (A 0.5% point increase from the previous term) at the start of the term, and strong trends continuing throughout the remainder of the year. With regards to the hotel business, Dormy Inn (Business hotels) and resort hotel operations both recorded higher occupancy rates and higher prices. In addition, Kyoritsu Maintenance successfully conducted various activities in the realm of public and investor relations including the sponsorship of the “Hakone Ekiden” long distance university relay race with the goal of deepening the understanding of its services within the market.

As a result of these various efforts, sales, and operating, ordinary and net incomes all managed to rise above the previous year’s levels by large margins of 5.8% (¥5,743 million), 14.9%, 21.4% and 19.4% year-over-year to ¥105,216, ¥7,490, ¥6,796, and ¥3,829 million respectively. Furthermore, this performance set the record for highest earnings, having surpassed the estimates upwardly revised as of November 8, 2013.

2. Our Main Business Segment Performance

Dormitory Business (Student, Corporate, Domeal, Consigned Dormitories)

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Contracted Residents	31,439	32,567	3.6
Sales (Million Yen)	40,273	41,452	2.9
Operating Income (Million yen)	6,020	6,119	1.6

The operating environment surrounding the student dormitory business continues to be plagued by numerous structural issues at the macroeconomic level including declines in the number of children. However, universities are using the facilitation of dormitories as a highly attractive feature to get students from regions outside of metropolitan areas to enroll and demand remains strong.

Against this backdrop, business trended favorably with new alliances formed with the Musashino Art University, Dokkyo University, Tokyo University of Pharmacy and Life Sciences, Tokyo Institute of Technology and others, and due to our services supporting students that leverage our unique features including “healthy food menus,” “safe and comfortable facilities made possible through full time supervision” and “employment seminars held within dormitories.” As a result of these efforts, the number of contracted residents in the student dormitories rose by 1.0% year-over-year to 19,517 residents and sales rose by 2.6% year-over-year to ¥24,743 million.

The environment surrounding the corporate dormitory business was positive with the outlook for increases in the number of employers and the number of job offers for new graduates compared with the previous term. With these conditions in place, conditions were favorable as large corporations reevaluated the positive aspects of dormitories and used them increasingly for new employee training and a wide range of other purposes. In our corporate dormitories, the number of contracted residents rose by 10.0% year-over-year at the end of the fiscal year to 8,684, and sales rose by 2.7% year-over-year to ¥9,673 million.

In our Domeal business, we responded to the diversifying needs of students and single workers by providing studio-type dormitory facilities. We also received support from client schools and companies through their introductions of new residents seeking dormitories with commissary facilities. Consequently the number of contracted residents rose by 3.4% year-over-year to 4,366, and sales grew by 4.5% year-over-year to ¥3,720 million.

In our consigned dormitory business, we manage corporate and school dormitory facilities on a consigned basis, and we endeavor to differentiate our services by promoting our status as “Japan’s best dormitory operator.” Consequently, sales rose by 4.3% year-over-year to ¥3,315 million.

Consequently, the number of dormitory facilities increased by 9 to 427 (excluding consigned facilities), contracted residents grew by 1,268 to 33,681, and sales increased by 2.9% year-over-year to ¥41,452 million. With regards to expenses, strict management of costs on a facility-by-facility basis allowed operating income to rise by 1.6% year-over-year to ¥6,119 million. Moreover, we conducted more detailed marketing activities and strategies to reduce vacant rooms and bring about a recovery in occupancy rates. Consequently occupancy rates rose by 0.2% year-over-year to 97.2% at the start of the next term.

Hotel Business (Dormy Inn, Resort Hotels)

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Sales	39,143	43,475	11.1
Operating Income	2,842	3,830	34.8

In our Dormy Inn (Business hotel) business, we focused upon providing customers with “large hot spring type bathing facilities” and “good tasting breakfast menus,” in addition to fortifying the language and hospitality manner training of our staff as a means of raising the customer satisfaction. Based upon these endeavors, we also aggressively promoted other detailed services including web marketing solutions that cater to a wide range of customers including not only business travel users but also pleasure travelers as well. Moreover, owing to the weaker yen and the fortification of inbound marketing functions to cultivate customers from Korea and other parts of Asia, the number of foreign users is on the rise. Against this backdrop, the opening of new facilities including “Natural Hot Springs Chagetsu no Yu Dormy Inn Express Kakegawa” and “Natural Hot Spring Yugiri no Yu Dormy Inn PREMIUM Namba” contributed to increases in sales occupancy rates and pricing at existing facilities contributed to higher sales. Both existing facility occupancy rates and prices increased not only over the previous year throughout the entire current year but also exceeded expectations by large margins. As a result of these developments, sales rose by 13.3% year-over-year to ¥21,755 million.

In our resort hotel business, we seek to satisfy our customers by providing them with “high quality resort style accommodations at reasonable prices” and “comforting accommodations.” During the current term, the opening of “Inishie no Yado Ikyu” timed to match the commemorative ceremonies being held at Ise Jingu Shrine boasted of high occupancy rates throughout the year. Furthermore, we created a product lineup that was successful in raising the occupancy rates on weekdays and subsequent full year occupancy rates trended above the previous year’s levels. Therefore we were able to record sales growth of 8.9% year-over-year to ¥21,719 million.

Consequently, three new facilities were opened in the hotel business bringing the total facilities in operation to 71 and the number of rooms to 10,612 (Up 317 from the previous term). Furthermore, sales and operating income rose by 11.1% and 34.8% year-over-year to ¥43,475 and ¥3,830 million respectively, and sales of this segment now threatens to exceed our core dormitory business.

Contracted Services Business

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Sales	13,802	13,025	-5.6
Operating Income	56	175	208.8

The contracted services business includes maintenance and management services for both offices and residences, rental of consigned buildings, and parking lot management. In particular, the building maintenance business suffered from severe operating conditions, with intense competition arising from consolidation of service providers in the greater Tokyo metropolitan area. Against this backdrop, sales declined by 5.6% year-over-year to ¥13,025 million due in part to the liquidation of some facilities owned during the previous fiscal year, but the addition of profitable projects and strict cost management allowed operating income to rise by 208.8% year-over-year to ¥175 million.

Food Services Business

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Sales	4,926	5,180	5.2
Operating Income	-126	-43	—

In the food services business, a gradual recovery in consumer spending continued was noted despite the continuation of severe operating conditions. Furthermore, the costs incurred at the hot spring facility, which has halted operations, were booked as non-operating expenses. And while sales rose by 5.2% year-over-year to ¥5,180 million, an operating loss of ¥43 million was incurred.

Construction Business

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Sales	8,180	7,577	-7.4
Operating Income	361	305	-15.3

In the construction business during the current term, delays in the start of construction arising from the sudden rise in development costs caused sales and operating income to decline by 7.4% and 15.3% year-over-year to ¥7,577 and ¥305 million respectively.

Other Business

(Units: Million Yen)

	Previous Term FY3/13	Current Term FY3/14	% YY Change
Sales	5,188	6,955	34.0
Operating Income	-448	-472	—

Our other business is comprised of the wellness life business (Management of senior citizen housing), the PKP business (Consigned services business provided to regional government bodies), single life support business and insurance agency business, comprehensive human resource service business, and financing services and administrative outsourcing services. Sales of this business rose 34.0% from the previous year to ¥6,955 million, while an operating loss of ¥472 million was incurred. The main factor behind this operating loss was an increase in marketing expenses accompanying the expansion of the PKP business.

3. Earnings Estimates for the Coming Term

(Consolidated)

(Units: Million Yen)

	Previous Term FY3/14	Current Term FY3/15	% YY Change
Net Sales	105,216	112,100	6.5
Operating Income	7,490	7,940	6.0
Ordinary Income	6,796	7,100	4.5
Net Income	3,829	4,000	4.5

(Parent Earnings)

	Previous Term FY3/14	Current Term FY3/15	% YY Change
Sales	88,559	93,100	5.1
Operating Income	6,995	7,070	1.1
Net Income	4,258	4,370	2.6

The dormitory business occupancy rate in April, which is a key indicator to how our earnings are likely to trend during the coming fiscal year, got off to a good start at 97.2%. In the dormitory business, Kyoritsu is taking steps to respond to the expanding needs of residents by fortifying our structure, and increasing the speed of our strategy development. At the same time, we are promoting structural reforms to enable us to implement strict control of capacity utilization and costs for each facility. Moreover, anticipatory investments including large scale renovations will be made with a view to our long term development.

We will firmly establish our brand and expand our earnings by leveraging the strong popularity of existing facilities in our Dormy Inn business hotel operations within the hotel business. Furthermore, we will open our first overseas facility called “Dormy Inn PREMIUM SEOUL GAROSUGIL” in the Gangnam area of Seoul, Korea in fall 2014, and expand our operations into other regions within Asia that exhibit high paced economic growth. By doing so, we endeavor to act as a bridge linking Japan with Asia by providing our hotel services to Japanese going abroad and foreigners visiting Japan, and to accelerate growth throughout the region. In the resort hotel business, Kyoritsu also endeavors to fortify services at each facility and implement strict cost controls as part of its efforts to expand its “comfortable accommodations” with high customer satisfaction to become the leading resort hotel operator in each respective operating region. Furthermore, Kyoritsu will accelerate its strategic development of facilities and fortify its marketing structure to maintain repeat customers and cultivate new customers with a view to future growth.

Kyoritsu will implement measures to raise the overall capabilities of our contracted services business and increase our credibility with customers through improvements in our specialized technologies and product lineup. These measures will also allow us to aggressively provide customers with high quality building maintenance and other services that are highly competitive within the market.

In the food services business, Kyoritsu will develop products and services with high levels of customer satisfaction, and implement strict management of variable costs as part of its earnings reform strategy.

In our construction business, we will continue to support the Kyoritsu Group development and new facility opening plans, in addition to cultivating external clients and strictly managing costs.

In our other business segment we will focus upon developing a jointly conducted consigned services business for regional government bodies called Public Kyoritsu Partnership (PKP) to realize higher levels of profitability.

Based on the measures mentioned above, development plans for the hotel business, which became a strong growth driver during the current term, called for several projects to be undertaken during the current and next terms. Consequently, new facility openings are expected see only modest growth as they are expected to be concentrated during the term following the next terms and sales and operating, ordinary and net incomes are expected to grow by 6.5%, 6.0%, 4.5% and 4.5% year-over-year to ¥112,100, ¥7,940, ¥7,100 and ¥4,000 million respectively. At the same time, parent sales and ordinary and net incomes are expected to rise by 5.1%, 1.1% and 2.6% year-over-year to ¥93,100, ¥7,070, and ¥4,370 million respectively.

(2) Analysis of Financial Conditions

1. Conditions of Assets, Liabilities, and Net Assets

(Assets)

During the current fiscal year, total consolidated assets increased by ¥9,735 million from the end of the previous fiscal year to ¥131,995 million. The main factors behind this increase included rises in cash and deposits, and tangible fixed assets.

(Liabilities)

Over the same period, total liabilities also grew by ¥9,928 million to ¥97,405 million due primarily to increases in zero coupon convertible bonds with stock options.

(Net Assets)

Net assets declined by ¥192 million to ¥34,590 million over the same period due primarily to the acquisition of treasury shares. Consequently, equity ratio declined by 2.2% points from the end of the last fiscal year to 26.2%.

2. Cash Flow Conditions

Consolidated cash and equivalents grew by ¥7,085 million from the end of the previous term to ¥23,750 million at the end of the current term.

(Cash Flow from Operating Activities)

The net cash inflow from operating activities increased by ¥2,666 million from the previous term to ¥7,692 million in the current term, due in part to the increase in income before taxes and declines in accounts receivables.

(Cash Flow from Investing Activities)

The sale and acquisition of tangible fixed assets were amongst factors contributing to a ¥8,372 million increase in the net cash inflow to ¥6,333 million in investing activities.

(Cash Flow from Financing Activities)

A net cash inflow in financing activities of ¥5,535 million was recorded, reflecting a ¥13,937 million improvement from the net outflow of ¥8,402 million in the previous term. Amongst the factors influencing financing cash flow were repayments of long term debt and income from the issuance of bonds.

(Reference) Trends in Our Cash Flow Indicators

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14
Equity Ratio (%)	21.2	21.3	25.1	28.4	26.2
Equity Ratio, Market Capital Based (%)	14.2	12.0	19.5	30.7	34.4
Cash Flow to Interest Bearing Liability Ratio (%)	15.8	16.0	11.3	11.6	8.8
Interest Coverage Ratio (x)	4.5	3.8	4.1	4.0	7.3

Equity Ratio: $\text{Capital} / \text{Total Assets}$

Equity Ratio, Market Capital Based: $\text{Market Capitalization} / \text{Total Assets}$

Cash Flow to Interest Bearing Liability Ratio: $\text{Interest Bearing liabilities} / \text{Operating Cash Flow}$

Interest Coverage Ratio: $\text{Operating Cash Flow} / \text{Interest Payments}$

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 in the Current and Next Terms

We consider the capital contributed by shareholders to be invaluable, and place a high priority on the distribution of profits to our shareholders in line with our earnings performance. One of our goals is to maintain a stable level of dividends over the long-term and we have established a target dividend payout ratio of over 20%. With regards to the current term, we anticipate increasing our dividend by ¥3 per share to ¥27 at the term end for a full year dividend of ¥48 per share. Furthermore, we expect to maintain a ¥48 per share dividend in the following term as well. In the future, we will endeavor to maintain a stable level of dividends while also responding flexibly to reflect changes in our earnings. 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 may be considerations when making an investment in our Company. We consider these factors to be the main risks existing during the course of our operations as of the end of 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 are in their own homes. 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 needing housing. 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 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 our Dormy Inn Hotels from large fluctuations in occupancy rates by providing various unique services and amenities such as extended-stay programs which help to differentiate our facilities from those of our competitors. Despite our best efforts, 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 volatility in occupancy rates arising from weather related calamities such as typhoons, as well as from fluctuations in the economy. Therefore 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 which could result in a loss of business arising from cancellations of outsourcing contracts for management of restaurants and cafeterias at 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 as dormitories and hotels. In the development of these assets, we take our financial standing into consideration and seek to make the most effective use of all resources by utilizing various financial methods to yield safe and maximum 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 that are subject to various rules and regulations relating to food safety and sanitation under the Food Sanitation Act, privacy security under the Act on the Protection of Personal Information, and personal safety under the Inns and Hotels Act and the Fire Service Act, among other safety related regulations and laws. Therefore, our Group maintains compliance structures, risk committees and internal control structures to 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 are at risk of losing our customers' trust in the highly unlikely event that an incident such as food poisoning or 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 "Opinion Statement on the Accounting Standards for Fixed Asset Impairment Accounting." Taking account of this Opinion Statement, the Financial Accounting Standards Foundation, Accounting Standards Board of Japan released on October 31, 2003 the policy paper entitled "Policy Statement for the Implementation of Accounting Standards for Fixed Asset Impairment Accounting" (Implementation Policy Number 6). 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

The dormitories and hotels we operate are leased by our company from the owners of the assets under blanket long-term lease agreements ranging from 10 to 20 years. Some of these facilities have stipulations in their lease contracts that prohibit the cancellation of agreement prior to the end of the lease term. Therefore, weak trends in occupancy rates of these managed assets could negatively impact their profitability, which in turn could negatively impact our overall earnings and financial position.

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

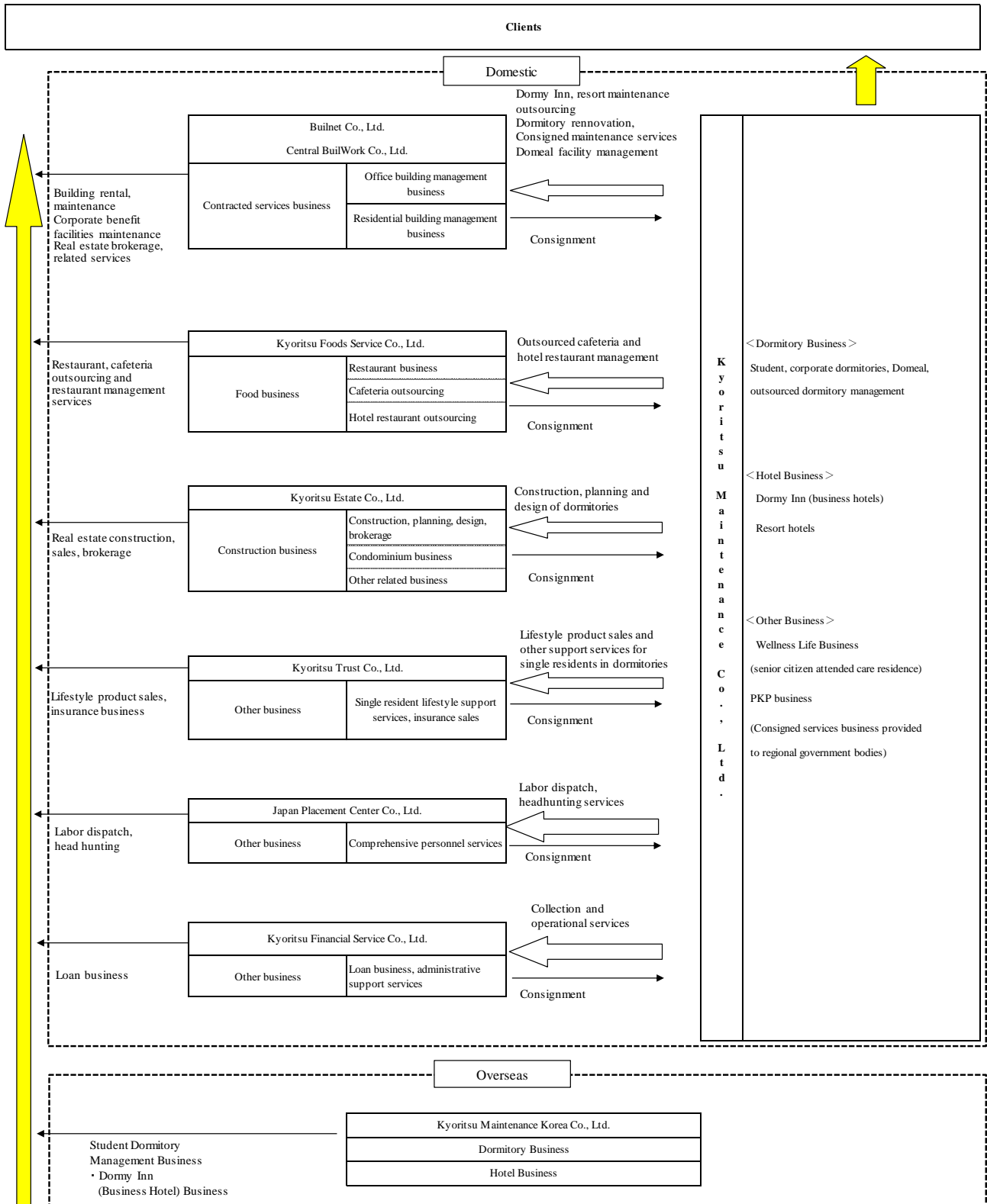
In our business, we use bank debt in addition to our own capital, and our interest bearing liabilities ratio as a percentage of our total assets stood at 51.6% at end fiscal year March 2014. As for our Group, we are pursuing a strategy of reducing our dependence upon interest bearing liabilities, which 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 2014, 88.6% of our interest bearing liabilities was fixed interest rates 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, 12 subsidiaries, and 4 affiliated companies. Our main businesses consist of dormitories, hotels, contracted services, food service, construction, 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. Kyoritsu Maintenance Korea Co., Ltd.
Hotels	Dormy Inn (Business hotels) Resort hotels	Kyoritsu Maintenance Co., Ltd. Kyoritsu Maintenance Korea Co., Ltd. Three other companies
Contracted Services	Office building management business Residential property management business	Builnet Corporation Central BuilWork Co., Ltd.
Food Services Business	Restaurant business Outsourced catering business Hotel restaurant outsourcing business	Kyoritsu Foods Service Co., Ltd. 1 other company
Construction 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) PKP business (Consigned services business provided to regional government bodies) Single resident insurance and other lifestyle support services Comprehensive human resources business Financing business	Kyoritsu Maintenance Co., Ltd. Kyoritsu Trust Co., Ltd. Japan Placement Center Co., Ltd. Kyoritsu Financial Service Co., Ltd. 4 other companies

Schematic Diagram of Our Operations



3. Management Policy

- (1) Our Basic Management Policy
- (2) Benchmarks of Our Intermediate to Long-Term Management Strategy
- (3) Key Management Issues

We do not make any comments in this section because there have been no important changes from the information disclosed in our earnings announcement for the fiscal year March 2013 (Published on May 15, 2013).

For further information regarding the above mentioned earnings announcement, please refer to the following url.

(Kyoritsu Maintenance home page)

<http://www.kyoritsugroup.co.jp/ir/library.html>

(Tokyo Stock Exchange home page: Search page for listed companies)

<http://www.tse.or.jp/listing/compsearch/index.html>

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Units: Million Yen)	
	Previous Term	Current Term
	(March 31, 2013)	(March 31, 2014)
Assets		
Current assets		
Cash and equivalents	17,622	24,707
Notes, accounts receivable	6,480	4,986
Real estate for sale	302	257
Uncompleted real estate for sale	914	372
Uncompleted construction payment	14	314
Deferred tax assets	766	948
Others	4,785	5,913
Doubtful account reserves	-32	-26
Total current assets	30,852	37,473
Fixed assets		
Tangible fixed assets		
Buildings, structures	46,222	48,413
Depreciation, aggregated	-16,945	-18,570
Buildings, structures (net)	29,276	29,843
Land	24,426	24,891
Construction, provisional accounts	3,412	4,848
Others	7,731	8,333
Depreciation, aggregated	-6,514	-6,911
Others	1,216	1,421
Total tangible fixed assets	58,332	61,005
Intangible fixed assets	1,950	1,890
Investments, other assets		
Investment securities	5,818	5,888
Long term loans	1,114	631
Security deposits	10,745	11,481
Deposits	9,063	8,574
Retirement related	-	3
Deferred tax assets	1,774	1,600
Others	2,743	3,554
Doubtful account reserves	-207	-195
Total investments, other assets	31,052	31,538
Total fixed assets	91,335	94,434
Deferred assets		
Bond issuance fees	71	87
Total deferred assets	71	87
Total assets	122,259	131,995

(Units: Million Yen)

	Previous Term (March 31, 2013)	Current Term (March 31, 2014)
Liabilities		
Current liabilities		
Notes, accounts payables	4,174	3,908
Short term debt	14,074	15,328
Bond, portion redeemable within 1 year	1,150	1,150
Unpaid corporate taxes	1,528	1,940
Prepayments	10,880	11,091
Bonus reserves	1,029	1,148
Director bonus reserves	232	294
Completed construction guarantee reserves	11	11
Deferred tax liabilities	0	—
Others	5,811	5,945
Total current liabilities	38,892	40,819
Fixed liabilities		
Bonds	7,450	6,300
Convertible bonds with stock options	—	15,000
Long term debt	34,976	29,772
Long term security deposits	3,016	2,583
Deferred tax liabilities	598	551
Retirement benefit reserves	1,201	—
Retirement benefit reserve related liabilities	—	1,178
Asset impairment liabilities	309	311
Point reserves	—	16
Asset impairment liabilities	205	204
Others	826	666
Total fixed liabilities	48,584	56,586
Total liabilities	87,476	97,405
Net assets		
Shareholders' equity		
Capital	5,136	5,136
Capital reserves	5,943	5,943
Retained earnings	25,675	28,892
Treasury stock	-1,811	-5,471
Total shareholders' equity	34,943	34,500
Other comprehensive income, aggregated		
Other marketable securities valuation gains	-198	-29
Foreign exchange translation provisions	37	99
Retirement reserve related	—	20
Total other comprehensive income, aggregated	-160	89
Total net assets	34,782	34,590
Total liabilities, net assets	122,259	131,995

(2) Consolidated Income Statement, Comprehensive Income Statements
(Consolidated Income Statements)

	(Units: Million Yen)	
	Previous Term (April 1, 2012 to March 31, 2013)	Current Term (April 1, 2013 to March 31, 2014)
Net Sales	99,472	105,216
CGS	79,562	83,692
Gross income	19,910	21,524
SG&A		
Pay, bonuses	3,809	3,817
Corporate fringe benefits	733	730
Bonus reserves provisions	272	307
Director bonus reserves provisions	232	294
Retirement reserves provisions	74	55
Director retirement reserves provisions	2	2
Sales promotion expense	1,752	1,798
Commissions	3,395	3,821
Doubtful account reserve provisions	14	—
Point reserve reversals	—	17
Outsourcing expenses	966	1,106
Rent	298	308
Depreciation, amortization	198	190
Goodwill amortization	4	4
Others	1,636	1,578
Total SG&A	13,389	14,033
Operating income	6,521	7,490
Non-operating income		
Interest income	114	111
Deposit redemption income	111	106
Foreign exchange translation gains	128	230
Others	223	274
Total non-operating income	578	722
Non-operating expense		
Interest payment	1,233	1,046
Others	266	370
Total non-operating expense	1,499	1,416
Ordinary income	5,599	6,796

	(Units: Million Yen)	
	Previous Term (April 1, 2012 to March 31, 2013)	Current Term (April 1, 2013 to March 31, 2014)
Extraordinary income		
Compensation received	—	31
Fixed asset sale income	986	246
Others	18	—
Total extraordinary income	1,004	277
Extraordinary loss		
Insurance policy cancelation loss	43	21
Fixed asset sale loss	179	—
Impairment loss	184	123
Special retirement expense	97	—
Lease cancelation loss	134	—
Others	138	15
Total extraordinary loss	777	160
Net income before taxes	5,826	6,914
Corporate, residence, enterprise taxes	2,638	3,245
Corporate tax adjustment	-18	-160
Total taxes	2,620	3,085
Net income before minority interests	3,206	3,829
Net income	3,206	3,829

(Consolidated Comprehensive Income Statements)

(Units: Million Yen)

	Previous Term FY3/13 (April 1, 2012 to March 31, 2013)	Previous Term FY3/14 (April 1, 2013 to March 31, 2014)
Net income before minority interests	3,206	3,829
Other comprehensive income		
Other marketable securities valuation gains	562	168
Foreign exchange translation gain provision	22	61
Total other comprehensive income	585	230
Comprehensive income	3,791	4,059
(Details)		
Comprehensive income of parent company shareholders	3,791	4,059
Comprehensive income of minority shareholdings	—	—

(3) Consolidated Shareholders' Equity Statements

Consolidated Figures for Fiscal Year March 2013 (April 1, 2012 to March 31, 2013)

(Units: Million Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	5,136	5,943	23,042	-1,809	32,312
Increase (decrease) due to change					
Dividends from surplus			-536		-536
Net income			3,206		3,206
Change of scope of consolidation			-36		-36
Acquisition of treasury stock				-2	-2
Sales of treasury stock					—
Items other than changes in shareholders' equity, due to change (net)					
Total change during fiscal year		—	2,633	-2	2,631
Balance as of end of current fiscal year	5,136	5,943	25,675	-1,811	34,943

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on other securities	Translation adjustments	Retirement benefit related adjustments	Total accumulated other comprehensive income	
Balance as of start of current fiscal year	-761	—	—	-761	31,551
Increase (decrease) due to change					
Dividends from surplus					-536
Net income					3,206
Change of scope of consolidation					-36
Acquisition of treasury stock					-2
Sales of treasury stock					—
Items other than changes in shareholders' equity, due to change (net)	562	37	—	600	600
Total change during fiscal year	562	37	—	600	3,231
Balance as of end of current fiscal year	-198	37	—	-160	34,782

Consolidated Figures for Fiscal Year March 2014 (April 1, 2013 to March 31, 2014)

(Units: Million Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	5,136	5,943	25,675	-1,811	34,943
Increase (decrease) due to change					
Dividends from surplus			-612		-612
Net income			3,829		3,829
Change of scope of consolidation					
Acquisition of treasury stock				-3,660	-3,660
Sales of treasury stock		0		0	0
Items other than changes in shareholders' equity, due to change (net)					
Total change during fiscal year		0	3,216	-3,660	-443
Balance as of end of current fiscal year	5,136	5,943	28,892	-5,471	34,500

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains on other securities	Translation adjustments	Retirement benefit related adjustments	Total accumulated other comprehensive income	
Balance as of start of current fiscal year	-198	37	—	-160	34,782
Increase (decrease) due to change					
Dividends from surplus					-612
Net income					3,829
Change of scope of consolidation					
Acquisition of treasury stock					-3,660
Sales of treasury stock					0
Items other than changes in shareholders' equity, due to change (net)	168	61	20	250	250
Total change during fiscal year	168	61	20	250	-192
Balance as of end of current fiscal year	-29	99	20	89	34,590

(4) Consolidated Cash Flow Statements

(Units: Million Yen)

	Previous Term FY3/13 (April 1, 2012 to March 31, 2013)	Previous Term FY3/14 (April 1, 2013 to March 31, 2014)
Cash flow from operating activities		
Net income before taxes	5,826	6,914
Depreciation, amortization	2,986	2,850
Amortization of long term prepayments	156	148
Fixed asset impairment, sale income	-779	-231
Impairment loss	184	123
Amortization of security deposits	207	218
Change in bonus reserves	188	119
Interest, dividends received	-147	-177
Interest paid	1,233	1,046
Change in accounts receivables	-2,690	1,494
Change in inventories	601	-54
Change in payables	686	-261
Change in unpaid expenses	368	-85
Change in prepayments	141	211
Change in unpaid consumption tax	10	-569
Change in deposits received	-47	-120
Change in security deposits received	-435	-432
Change in advances received	-143	-143
Others	531	395
Subtotal	8,878	11,445
Interest, dividends received	104	132
Interest payment	-1,244	-1,053
Corporate, other tax returns	3	0
Corporate, other tax payment	-2,715	-2,833
Cash flow from operating activities	5,025	7,692
Cash flow from investing activities		
Acquisition of marketable securities	-499	-68
Sale of marketable securities	729	414
Acquisition of tangible fixed assets	-3,989	-5,643
Sale of tangible fixed assets	7,474	818
Acquisition of intangible fixed assets	-96	-46
Sale of intangible fixed assets	1,659	—
Loans extended	-2,098	-1,716
Loans recovered	718	1,349
Payment of deposits, security deposits	-1,587	-1,440
Return of deposits, security deposits	64	885
Payment into insurance reserves	-546	-760
Redemption of insurance reserves	277	119
Others	-67	-245
Cash flow from investing activities	2,039	-6,333

(Units: Million Yen)

	Previous Term FY3/13 (April 1, 2012 to March 31, 2013)	Previous Term FY3/14 (April 1, 2013 to March 31, 2014)
Cash flow from financing activities		
Change in short term debt	650	-400
Assumption of new long term debt	2,750	4,400
Repayment of long term debt	-10,046	-7,949
Bond issuance income	1,959	14,971
Payment for redemption of bonds	-3,145	-1,150
Treasury stock acquisition	-2	-3,660
Dividend payment	-534	-610
Others	-33	-66
Cash flow from financing activities	-8,402	5,535
Translation gains in cash and equivalents	72	191
Change in cash and equivalents	-1,264	7,085
Cash and equivalents at term start	16,384	16,665
Translation gains from change in scope of consolidation	1,544	—
Cash and equivalents at term end	16,665	23,750

(5) Consolidated Financial Statement Notes
 (Notes Regarding Going Concern Assumptions)
 Not applicable

(Important articles in the assumption used to create consolidated financial statements)

1. Scope of Consolidation

(1) Consolidated subsidiaries: 8 Companies

Kyoritsu Estate Co., Ltd.

Kyoritsu Trust Co., Ltd.

Kyoritsu Food Service Co., Ltd.

Japan Placement Center Co., Ltd.

Kyoritsu Financial Service Co., Ltd.

Builnet Co., Ltd.

Central BuilWork Co., Ltd.

Kyoritsu Maintenance Korea Co., Ltd.

(2) Non-Consolidated Subsidiaries: 4 Companies

Flat Co., Ltd.

Okinawa Kyoritsu Maintenance Co., Ltd.

Kyoritsu Assist Co., Ltd.

Ecofoods Co., Ltd.

(Reason for the exclusion from scope of consolidated accounts)

The assets, sales and net income of these non-consolidated companies only amounts to a marginal amount of the total consolidated accounts and are not considered to be important enough to be included in consolidated accounts.

(Segment Information)

1) Overview of Reported Segments

Financial information relating to the individual divisions of our business segments is readily available, and our management considers the validity of these segments on a regular basis during their board of directors' meetings in assessing segment earnings and the allocation of business resources in accordance with these segments.

Our divisions and subsidiaries responsible for the various services within our Group are also responsible developing both strategies and business activities for their respective businesses.

Therefore our segments are defined by the basic services provided by each of the divisions and subsidiaries and divided into five main segments including "dormitories," "hotels," "contracted services," "food services," and "construction."

We provide an overview of our reported business segments as follows:

Dormitories:	Dormitories provided to students and corporate employees, Domeal, management of outsourced dormitories
Hotels:	Dormy Inn business hotels, resort hotels
Contracted Services:	Office building and residential property management services
Food Services:	Restaurant business, management of outsourced cafeterias, hotel restaurants and other facilities
Construction:	Planning, design and construction, real estate brokerage business, condominiums for sale, other related services

2) Method of calculation for sales, income and losses, assets and other items of reported segments

Profits in the reported business segments are operating income.

Intersegment earnings and transfers are based on actual market pricing.

3) Sales, profits, assets and other information regarding reported segments

Consolidated Figures for Fiscal Year March 2013 (April 1, 2012 to March 31, 2013)

(Units: Million Yen)

	Reported Segments						Others (Note) 1	Total	Adjustments (Note) 2	Values Used in Consolidated Financial Statements (Note) 3
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Total				
Sales										
External sales	40,152	39,058	8,066	1,475	5,910	94,662	4,809	99,472	—	99,472
Internal sales and transfers	120	85	5,736	3,450	2,269	11,663	378	12,042	-12,042	—
Total	40,273	39,143	13,802	4,926	8,180	106,326	5,188	111,515	-12,042	99,472
Operating income	6,020	2,842	56	-126	361	9,154	-448	8,705	-2,184	6,521
Assets	40,507	45,655	12,611	1,027	6,708	106,510	6,165	112,676	9,583	122,259
Other items										
Depreciation	757	2,000	80	51	32	2,923	42	2,965	20	2,986
Goodwill amortization	—	—	4	—	—	4	—	4	—	4
Impairment loss	18	3	—	87	—	109	74	184	—	184
Change in tangible, intangible fixed assets	2,442	1,461	1,654	127	2	5,689	18	5,707	28	5,736

(Notes) 1. Other is not considered as a reported business segment and is comprised of the wellness life (management of senior citizen housing), PKP business (Consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing services and other related services.

2. Details of adjustments are provided below

(Units: Million Yen)

Operating Income	
Intersegment transaction cancelations	116
Companywide expenses (Note)	-2,067
Total	-2,184

(Note) Companywide expenses represent the expenses associated with primarily finance and accounting, and other operations associated with the headquarters.

(Units: Million Yen)

Segment Assets	
Intersegment transaction cancelations	-9,403
Companywide assets (Note)	18,986
Total	9,583

(Note) Companywide assets represent cash and equivalents, marketable securities, investment securities, deferred taxes, and other assets associated with the headquarters

3. Segment operating income is derived from adjustments made to the operating income of the consolidated financial statements.

Consolidated Figures for Fiscal Year March 2014 (April 1, 2013 to March 31, 2014)

(Units: Million Yen)

	Reported Segments						Others (Note) 1	Total	Adjustments (Note) 2	Values Used in Consolidated Financial Statements (Note) 3
	Dormitories	Hotels	Contracted Services	Food Services	Construction	Total				
Sales										
External sales	41,276	43,388	7,841	1,484	4,633	98,624	6,592	105,216	—	105,216
Internal sales and transfers	176	86	5,183	3,696	2,944	12,086	362	12,449	-12,449	—
Total	41,452	43,475	13,025	5,180	7,577	110,710	6,955	117,665	-12,449	105,216
Operating income	6,119	3,830	175	-43	305	10,389	-472	9,916	-2,425	7,490
Assets	41,680	48,613	11,680	861	6,265	109,101	5,983	115,085	16,910	131,995
Other items										
Depreciation	862	1,778	86	51	29	2,808	23	2,832	17	2,850
Goodwill amortization	—	—	4	—	—	4	—	4	—	4
Impairment loss	24	2	—	91	—	118	4	123	—	123
Change in tangible, intangible fixed assets	3,059	3,285	12	68	6	6,432	31	6,463	-186	6,277

(Notes) 1. Other is not considered as a reported business segment and is comprised of the wellness life (management of senior citizen housing), PKP business (Consigned services business provided to regional government bodies), single life support services, insurance agency business, comprehensive human resources, financing services and other related services.

2. Details of adjustments are provided below.

(Units: Million Yen)

Operating Income	
Intersegment transaction cancelations	-116
Companywide expenses (Note)	-2,309
Total	-2,425

(Note) Companywide expenses represent the expenses associated with primarily finance and accounting, and other operations associated with the headquarters.

(Units: Million Yen)

Segment Assets	
Intersegment transaction cancelations	-8,636
Companywide assets (Note)	25,546
Total	16,910

(Note) Companywide assets represent cash and equivalents, marketable securities, investment securities, deferred taxes, and other assets associated with the headquarters

3. Segment operating income is derived from adjustments made to the operating income of the consolidated financial statements