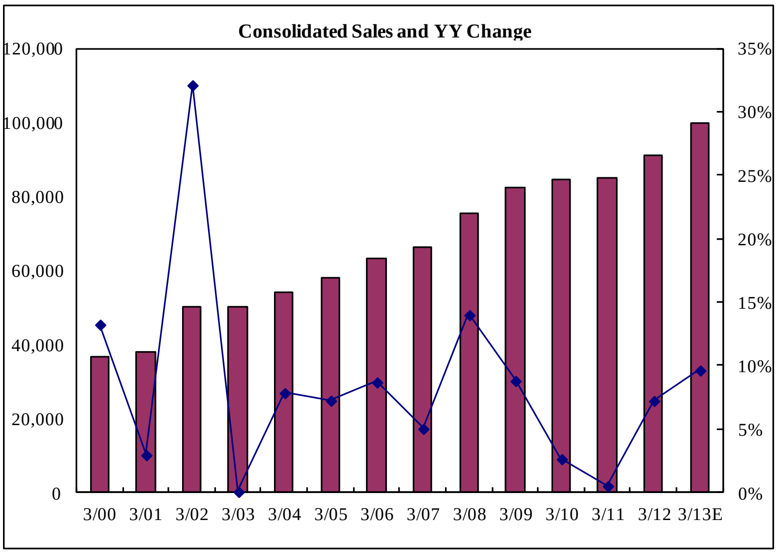
Kyoritsu Maintenance Co., Ltd.

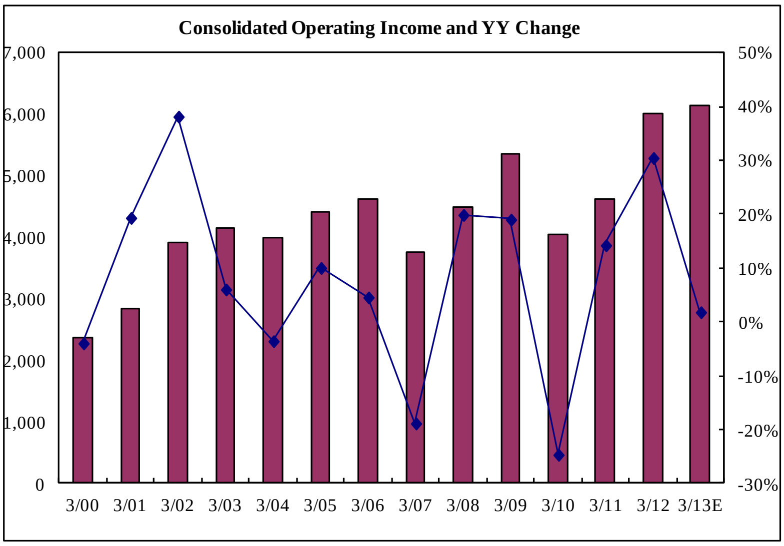
(Securities Code: 9616)

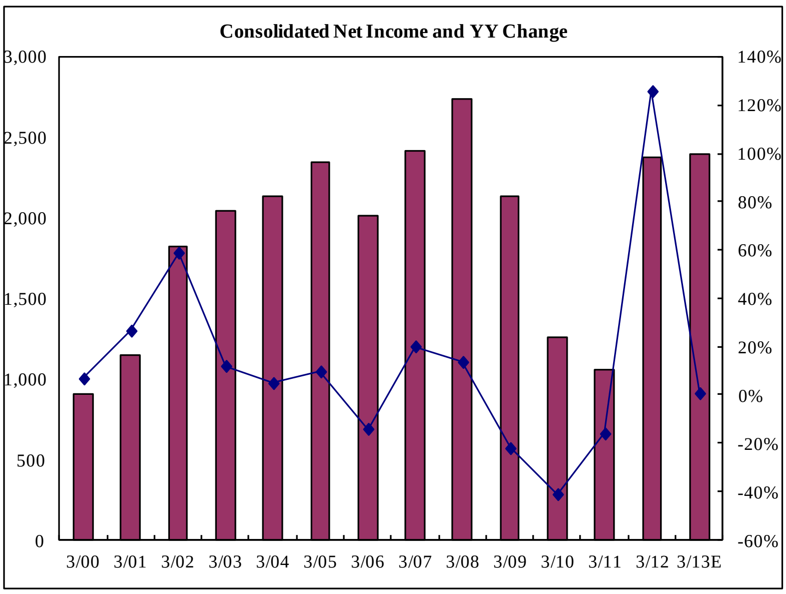
Fiscal Year March 2012
Consolidated Earnings Results Update

May 2012

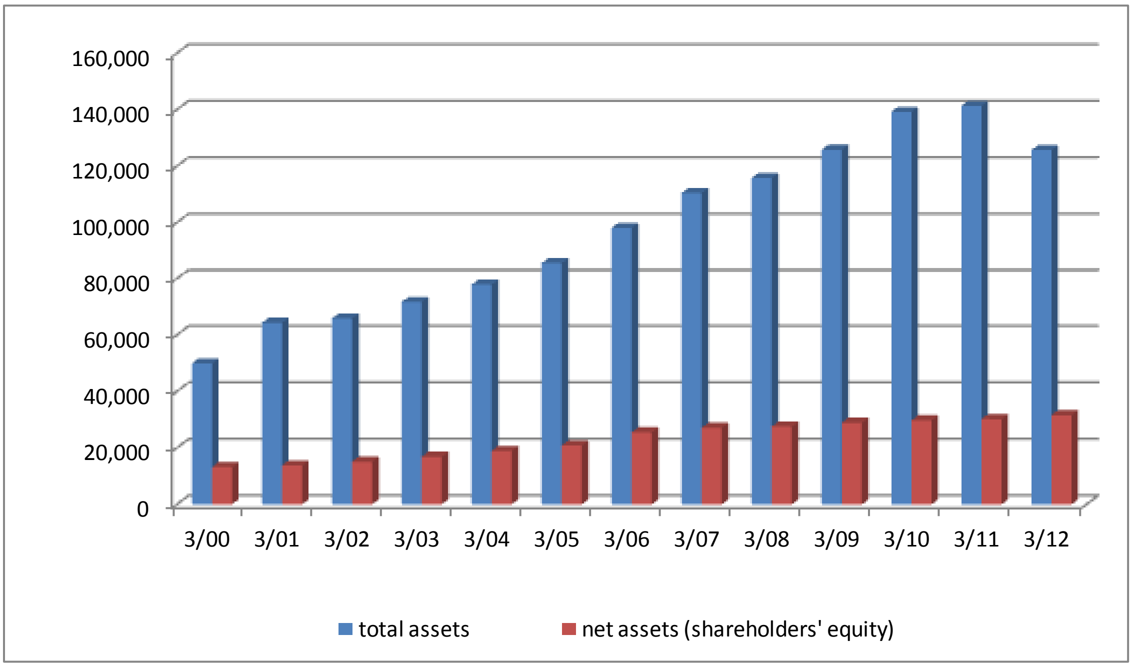
Kyoritsu Maintenance Consolidated Financial Data at a Glance







(Units: Million Yen)



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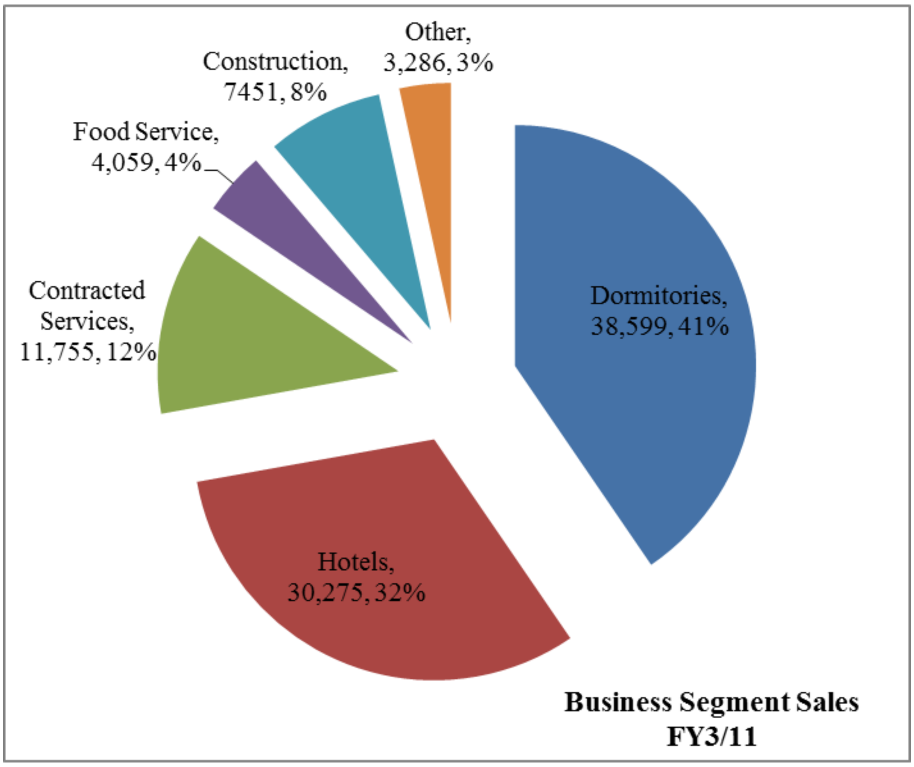
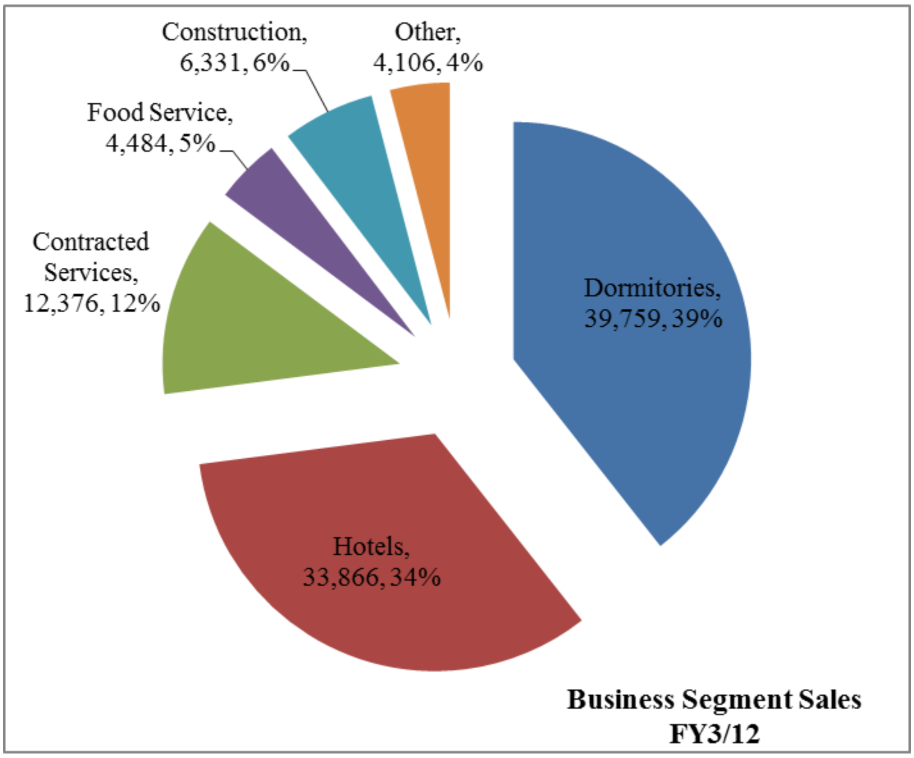




(Units: Million Yen)

Consolidated Income Statement	**3/00**	**3/01**	**3/02**	**3/03**	**3/04**	**3/05**	**3/06**	**3/07**	**3/08**	**3/09**	**3/10**	**3/11**	**3/12**	**3/13E**
net sales	36,788	37,884	50,065	50,109	54,081	58,014	63,085	66,287	75,606	82,303	84,513	84,983	91,170	100,000
gross income	7,173	7,834	10,221	10,785	10,541	10,894	11,783	12,242	14,183	15,507	13,957	15,408	17,863	19,347
operating income	2,369	2,828	3,908	4,149	4,004	4,407	4,611	3,745	4,492	5,349	4,033	4,610	6,017	6,130
ordinary income	2,281	2,643	3,580	3,885	4,060	4,411	4,824	3,787	4,167	4,510	3,012	3,308	4,602	4,850
net income	907	1,147	1,822	2,039	2,138	2,343	2,011	2,413	2,740	2,133	1,254	1,052	2,376	2,390
Consolidated Balance Sheet														
current assets	19,900	23,793	18,100	22,138	22,122	23,254	23,350	24,901	19,967	21,852	23,104	36,783	28,234	na
fixed assets	29,867	40,478	47,768	49,497	55,715	62,336	74,681	85,562	95,728	103,891	115,980	104,428	97,319	na
total assets	49,880	64,327	65,867	71,647	77,865	85,620	98,047	110,507	115,738	125,793	139,209	141,314	125,649	na
current liabilities	19,731	28,513	27,031	31,610	29,374	31,585	44,039	37,342	44,119	41,615	41,499	50,546	38,961	na
fixed liabilities	16,977	22,064	23,761	23,146	29,433	33,077	28,316	46,068	44,079	55,266	67,956	60,600	55,135	na
total liabilities	36,707	50,577	50,792	54,755	58,806	64,663	72,355	83,411	88,199	96,882	109,455	111,147	94,097	na
net assets (shareholders' equity)	13,169	13,747	15,073	16,824	18,935	20,788	25,512	27,096	27,538	28,911	29,753	30,166	31,551	na
yy change														
net sales	13.3%	3.0%	32.2%	0.1%	7.9%	7.3%	8.7%	5.1%	14.1%	8.9%	2.7%	0.6%	7.3%	9.7%
gross income	9.0%	9.2%	30.5%	5.5%	-2.3%	3.3%	8.2%	3.9%	15.9%	9.3%	-10.0%	10.4%	15.9%	8.3%
operating income	-3.9%	19.4%	38.2%	6.1%	-3.5%	10.1%	4.6%	-18.8%	19.9%	19.1%	-24.6%	14.3%	30.5%	1.9%
ordinary income	3.5%	15.9%	35.4%	8.5%	4.5%	8.6%	9.4%	-21.5%	10.0%	8.2%	-33.2%	9.8%	39.1%	5.4%
net income	6.7%	26.5%	58.8%	11.9%	4.8%	9.6%	-14.2%	20.0%	13.6%	-22.2%	-41.2%	-16.1%	125.7%	0.6%
margins														
gross margins	19.5%	20.7%	20.4%	21.5%	19.5%	18.8%	18.7%	18.5%	18.8%	18.8%	16.5%	18.1%	19.6%	19.3%
operating margins	6.4%	7.5%	7.8%	8.3%	7.4%	7.6%	7.3%	5.6%	5.9%	6.5%	4.8%	5.4%	6.6%	6.1%
ordinary margins	6.2%	7.0%	7.2%	7.8%	7.5%	7.6%	7.6%	5.7%	5.5%	5.5%	3.6%	3.9%	5.0%	4.9%
net margins	2.5%	3.0%	3.6%	4.1%	4.0%	4.0%	3.2%	3.6%	3.6%	2.6%	1.5%	1.2%	2.6%	2.4%
other benchmarks														
ROE	6.9%	8.3%	12.1%	12.1%	11.3%	11.3%	7.9%	8.9%	9.9%	7.4%	4.2%	3.5%	7.7%	na
ROA	1.8%	1.8%	2.8%	2.8%	2.7%	2.7%	2.1%	2.2%	2.4%	1.7%	0.9%	0.7%	1.9%	na
equity ratio	26.4%	21.4%	22.9%	23.5%	24.3%	24.3%	26.0%	24.5%	23.8%	23.0%	21.4%	21.3%	25.1%	na
Units: million yen														

Fiscal Year March 2012 Consolidated Earnings Announcement

May 15, 2012

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 27, 2012
Financial Report Filing Date (Anticipated): June 27, 2012
Dividend Payment Date (Anticipated): June 28, 2012
Earnings Presentation Document: Available
Earnings Presentation Meeting: Available for institutional investors

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

1. Fiscal Year March 2012 Consolidated Earnings (From April 1, 2011 to March 31, 2012)
(1) Consolidated Earnings

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
FY3/12	91,170	7.3	6,017	30.5	4,602	39.1	2,376	125.7
FY3/11	84,983	0.6	4,610	14.3	3,308	9.8	1,052	-16.1

(Note) Comprehensive income: ¥2,270 million (87.7%) in FY3/12, ¥1,209 million (-15.5%) in FY3/11

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Asset Ratio	Operating Margin
	Yen	Yen	%	%	%
FY3/12	166.35	152.43	7.7	3.4	6.6
FY3/11	73.29	61.24	3.5	2.4	5.4

(Reference) Equity accounting method profit: ¥0 in FY3/12, ¥0 in FY3/11

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY3/12	125,649	31,551	25.1	2,235.83
FY3/11	141,314	30,166	21.3	2,099.90

(Reference) Capital: ¥31,551 million in FY3/12, ¥30,164 million in FY3/11

(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
FY3/12	5,841	2,287	−18,642	16,384
FY3/11	5,226	8,338	1,871	26,898

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	%	%
FY3/11	—	19.00	—	19.00	38.00	545	51.8	1.8
FY3/12	—	19.00	—	19.00	38.00	541	22.8	1.8
FY3/13 (Projected)	—	19.00	—	19.00	38.00		22.4	

3. Fiscal Year March 2013 Consolidated Earnings Estimates (April 1, 2012 to March 31, 2013)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
First Half	48,000	9.5	3,380	0.6	2,590	1.0	1,260	9.8	89.29
Full Year	100,000	9.7	6,130	1.9	4,850	5.4	2,390	0.6	169.36

Notes:
(1) Important changes in our subsidiaries, including changes to the scope of our consolidation: Applicable
New Company: 0 Eliminated Company: 1
Silent partnership operating Inn and Domeal Co., Ltd.

(2) Changes in the accounting policies, procedures, and changes or revisions in the display of accounting estimates:
① Changes accompanying revisions in accounting policies: None
② Other changes: None
③ Changes in accounting estimates: Applicable
④ Redisplay of revisions: None

(3) Shares issued (Common shares)

① Shares issued as of term end (including treasury shares):	FY3/12	15,125,582	FY3/11	15,125,582
② Treasury stock as of term end:	FY3/12	1,013,844	FY3/11	760,687
③ Average during the term:	FY3/12	14,286,461	FY3/11	14,365,167

(Reference) Parent Earnings Results

1. Fiscal Year March 2012 Parent Earnings (From April 1, 2011 to March 31, 2012)

(1) Parent Earning

	Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
FY3/12	75,038	8.3	4,863	24.6	3,799	40.1	1,831	97.5
FY3/11	69,318	5.8	3,902	22.7	2,711	12.0	927	−20.3

	EPS	Fully Diluted EPS
	Yen	Yen
FY3/12	128.17	117.44
FY3/11	64.54	53.93

(2) Parent Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY3/12	111,359	29,027	26.1	2,056.97
FY3/11	125,600	28,185	22.4	1,962.14

(Reference) Capital: ¥29,027 million in FY3/12, ¥28,185 million in FY3/11

2. Fiscal Year March 2013 Parent Earnings Estimates (April 1, 2012 to March 31, 2013)

	Net Sales		Operating Income		Ordinary Income		Net Income
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy	Yen
First Half	40,800	8.3	2,500	0.8	1,200	8.8	85.04
Full Year	81,500	8.6	4,300	13.2	2,100	14.7	148.81

* 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 disclosure 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 Business Results ③ Earnings Estimates for the Coming Term” on page 5.

Index

1. Business Results ······ 2
  (1) Analysis of Business Results ······ 2
  (2) Analysis of Financial Conditions ······ 6
  (3) Our Basic Policy Regarding the Distribution of Profits in the Current and Next Terms ······ 7
  (4) Business Risks ······ 7
2. Corporate Structure ······ 8
3. Management Policy ······ 10
  (1) Basic Management Policy ······ 10
  (2) Benchmarks of Our Intermediate to Long-Term Management Strategy ······ 10
  (3) Key Management Issues ······ 10
4. Consolidated Financial Statements ······ 11
  (1) Consolidated Balance Sheet ······ 11
  (2) Consolidated Income, Comprehensive Income Statements ······ 13
    Consolidated Income Statement ······ 13
    Consolidated Comprehensive Income Statement ······ 15
  (3) Consolidated Cash Flow Statement ······ 16
  (4) Notes on Assumptions Regarding Going Concern ······ 17
    (Segment Information) ······ 17

1. Business Results

(1) Analysis of Business Results

① Overview of Overall Earnings in Current Term

(Consolidated Earnings) (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Net sales	84,983	91,170	7.3
Operating Income	4,610	6,017	30.5
Ordinary Income	3,308	4,602	39.1
Net Income	1,052	2,376	125.7

During the current fiscal year, the Japanese economy saw a gradual recovery from the economic weakness in the aftermath of the Great East Japan Earthquake, but the prolonged strength in the yen, flooding in Thailand, and economic weakness caused by the sovereign debt crisis in Europe contributed to uncertainties over the future of the economy.

Despite these conditions, the dormitory business saw a 2.4% points year-over-year increase in occupancy rates to 95.3% at the start of the fiscal year and with relatively stable occupancy rates throughout the year. Furthermore, the hotel business, which could have seen a greater negative impact from the earthquake and tsunami disaster, also saw higher occupancy rates at its Dormy Inn business hotels than in the previous term, and continued high occupancy rates at its resort hotels during the peak resort season of the summer and the year end.

Consequently sales rose by ¥6,187 million or 7.3% year-over-year to ¥91,170 million, and operating and ordinary incomes grew by 30.5% and 39.1% year-over-year to ¥6,017 and ¥4,602 million respectively. At the same time liquidation of real estate holdings through “sale and lease back” schemes allowed financial position to improve and contributed to extraordinary profits from fixed asset sales, thus allowing net income to rise by a large margin of 125.7% year-over-year to ¥2,376 million.

② Our Main Business Segment Performance

Dormitory Business (Student, Corporate, Domeal, Consigned Dormitories) (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Contracted Residents (person)	29,956	31,030	3.6
Sales	38,599	39,759	3.0
Operating Income	5,842	5,987	2.5

With regards to the operating environment for the student dormitory business, the structural issue of declining birth rates has been offset by increasing demand for dormitories from four year universities for students coming from other regions and by increasing rates advancement from high schools to universities and vocational schools.

Against this backdrop, fortification of relationships with universities, vocational schools and college preparatory schools, and newly established business relations with four year universities including the Tokyo University of Science, the Kobe City University of Foreign Studies, University of Tokyo Health Sciences, and the University of Marketing and Distribution Sciences through marketing efforts leveraging our unique features including “healthy food menus,” “safe and comfortable facilities made possible through full time supervision” helped to offset the negative impact of cancelations of dormitory contracts for foreign students because of the earthquake. Consequently the number of contracted residents rose by 5.1% year-over-year to 19,115, and sales rose by 2.8% year-over-year to ¥23,642 million.

In our corporate dormitory business, the operating environment was extremely severe with the number of the total workforce declining by 4.5% year-over-year to 59.77 million, and the number of new graduate hires dropping by 19.8% year-over-year to 581,000. At the same time demand for corporate training dormitories grew, and favorable trends in occupancy rates allowed the number of contracted residents to rise by 0.2% year-over-year to 7,738. In addition, demand for short term residency contracts from the disaster relief efforts also contributed to a 2.2% year-over-year increase in sales to ¥9,324 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 3.0% year-over-year to 4,177 and sales grew by 3.0% year-over-year to ¥3,584 million.

In our consigned dormitory business, we manage corporate and school dormitory facilities on a consigned basis, and we endeavored to expand new orders by promoting our status “as Japan’s best dormitory operator.” Consequently, sales rose by 7.2% year-over-year to ¥3,207 million.

As a result of the above efforts, the number of dormitory facilities rose by 7 to 419 (excluding consigned facilities), contracted residents grew by 649 to 32,309, and sales increased by 3.0% year-over-year to ¥39,759 million. With regards to expenses, strict management of costs on a facility by facility basis allowed operating income to rise by 2.5% year-over-year to ¥5,987 million. Moreover we conducted more detailed marketing activities and strategies to reduce vacant rooms and bring about a recovery in stagnant occupancy rates. Consequently occupancy rates rose by 1.2% points year-over-year to 96.5% at the start of the next term.

Hotel Business (Dormy Inn, Resort Hotels) (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Sales	30,275	33,866	11.9
Operating Income	336	1,462	335.4

In our Dormy Inn (Business hotel) business, we sought to differentiate our Company by providing customers with “large hot spring type bathing facilities” and “good tasting breakfast menus,” in addition to offering 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.

Against this backdrop, contributions from facilities opened in the current term including “Natural Hot Springs Fugaku no Yu Dormy Inn Mishima,” “Natural Hot Springs Shirasagi no Yu Dormy Inn Himeji,” and “Natural Hot Springs Sodeminato no Yu Dormy Inn Premium Hakata Canal City Front” combined with increased demand from disaster relief efforts at some facilities to raise occupancy rates over the previous year’s levels and to increase sales by 14.2% year-over-year to ¥16,410 million.

In our resort hotel business, we sought to satisfy our customers by providing them with “high quality resort style accommodations at reasonable prices” and “comforting accommodations.” The “Kyoto Arashiyama Natural Hot Springs Kadensho” newly opened during the current term was received favorably by various media. Furthermore while the disaster relief efforts contributed to additional demand at existing facilities, we created a product lineup that was successful in raising the occupancy rates on weekdays and strengthened our detailed marketing strategies to effectively raise occupancy rates at resort hotels during the peak travel season of summer, year end and new year well above initial estimates. Therefore we were able to record sales growth of 9.7% year-over-year to ¥17,455 million.

Four newly opened facilities in the hotel business brought the number of hotels operated to 63 and increased the number of rooms by 591 to 9,497. Consequently sales and operating income rose by 11.9% and 335.4% year-over-year to ¥33,866 and ¥1,462 million respectively.

Contracted Services Business (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Sales	11,755	12,376	5.3
Operating Income	185	138	-25.0

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 demands for price cuts due to consolidation of service providers in the greater Tokyo metropolitan area. Against the backdrop, large contract cancellations in the consigned building rental business that appeared in the previous term and earlier have bottomed and now occupancy rates are on the recovery. However declines in rental prices have prevented a full scale recovery in this business' performance. Consequently, sales rose by 5.3% year-over-year to ¥12,376 million, while operating income declined by 25.0% year-over-year to ¥138 million.

Food Service Business (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Sales	4,059	4,484	10.5
Operating Income	−208	−138	—

In the food service business, consumer spending trends demonstrated a further shift towards lower priced goods and services and contributed to a continuation of the severe operating environment. With these conditions in place, we continued to fortify our management of variable costs from the previous term and effectively realized some cost reductions. However the opening costs of new restaurants caused losses to be realized at the operating level of 138 million yen despite a 10.5% year-over-year increase in sales to ¥4,484 million.

Construction Business (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Sales	7,451	6,331	-15.0
Operating Income	225	567	151.9

In the construction business, the stricter selection of projects in our Group's development plans led to a decline in sales. However the construction of condominiums for sale contributed to a large 151.9% year-over-year rise in operating income to ¥567 million despite a 15.0% year-over-year decline in sales to ¥6,331 million.

Other Business (Units: Million Yen)

	Previous Term FY3/11	Current Term FY3/12	% YY Change
Sales	3,286	4,106	24.9
Operating Income	-37	-388	—

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 24.9% from the previous year to ¥4,106 million, but operating losses of ¥388 million were incurred. The main factor behind this operating loss was anticipatory marketing expenses arising from the launch of PKP business.

③ Earnings Estimates for the Coming Term

(Consolidated) (Units: Million Yen)

	Current Term FY3/12	Next Term FY3/13	% YY Change
Net Sales	91,170	100,000	9.7
Operating Income	6,017	6,130	1.9
Ordinary Income	4,602	4,850	5.4
Net Income	2,376	2,390	0.6

(Parent Earnings) (Units: Million Yen)

	Current Term FY3/12	Next Term FY3/13	% YY Change
Sales	75,038	81,500	8.6
Ordinary Income	3,799	4,300	13.2
Net Income	1,831	2,100	14.7

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 96.5%. In the dormitory business, Kyoritsu is taking steps to respond to the expanding needs of our residents by fortifying our structure, and increasing the speed of our strategy development. At the same time, we are promoting structural reforms to be able to implement strict controls of capacity utilization and costs for each facility. Furthermore, we are also endeavoring to broaden the breadth and flexibility of our marketing capabilities to be able to better respond to the expanding needs of our customers.

We will firmly establish our brand and expand our earnings by leveraging the strong popularity of our existing facilities in our Dormy Inn business hotels within the hotel business. Furthermore, we will expand our operations into regions within Asia that exhibit high paced economic growth in addition to expansion in major cities within Japan. With regards to resort hotels, Kyoritsu will customize its services and implement strict cost controls for each individual facility to become the most highly regarded hotel within each respective region and to satisfy customers by providing them with “comfortable accommodations.” Furthermore we will strengthen our marketing structure to cultivate new customers and turn them into repeat customers.

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 capabilities in technologies and product lineup. These measures will also enable us to aggressively provide customers with high quality building maintenance and other services that are highly competitive within the market.

With regards to our food service business, Kyoritsu will continue to focus its attention upon improving profitability through strict management of variable costs and developing products and services that achieve high levels of customer satisfaction.

In our construction business, we will continue to support the Kyoritsu Group development and new facility opening plans, in addition to developing 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.

Taking the above strategies into consideration, Kyoritsu calls for net sales, and operating, ordinary and net incomes to rise by 9.7%, 1.9%, 5.4% and 0.6% year-over-year to ¥100,000, ¥6,130, ¥4,850, and ¥2,390 million respectively during fiscal year March 2013. At the same time parent sales, and ordinary and net incomes are expected to rise by 8.6%, 13.2% and 14.7% year-over-year to ¥81,500, ¥4,300, and ¥2,100 million respectively.

(2) Analysis of Financial Conditions

① Conditions of Assets, Liabilities, and Net Assets

At the end of the current term, total assets declined by ¥15,665 million from the end of the previous fiscal year to ¥125,649 million. The main factors influencing this fall were declines in cash and equivalents and tangible fixed assets. Total liabilities declined by ¥17,049 million from the end of the previous term to ¥94,097 million due in part to reductions in debt and corporate bonds. These reductions in liabilities were made possible by the sale of self-owned real estate. Sales of real estate amounted to ¥4.8 billion and ¥14.0 billion in the current and previous fiscal years respectively. At the same time net assets grew by ¥1,384 million from the end of the previous term to ¥31,551 million at the end of the current term. The main factor contributing to this increase was the increase in retained earnings. Consequently net asset ratio improved by 3.8% points from the end of the previous fiscal year to 25.1% at the end of the current term.

② Cash Flow Conditions

During the current term, cash and equivalents declined by ¥10,513 million from the end of the previous fiscal year to ¥16,384 million at the end of the current term.

(Cash Flow from Operating Activities)

The net inflow of cash from operating activities increased by ¥614 million from the previous term to ¥5,841 million in the current term due in part to increases in net income before taxes and other adjustments and in receivables.

(Cash Flow from Investing Activities)

Cash flow from investment activities saw the net inflow of cash decline by ¥6,051 million from the previous term to ¥2,287 million due primarily to expenditures for the acquisition of tangible fixed assets and despite income from sale of tangible fixed assets.

(Cash Flow from Financing Activities)

The net outflow of cash in our financing activities grew by ¥20,514 million from the previous fiscal year to a net outflow of ¥18,642 million due primarily to repayment of long term debt and redemption of corporate bonds.

(Reference) Trends in Our Cash Flow Indicators

	FY3/08	FY3/09	FY3/10	FY3/11	FY3/12
Equity Ratio (%)	23.6	22.8	21.2	21.3	25.1
Equity Ratio, Market Capitalization Based (%)	22.1	17.6	14.2	12.0	19.5
Cash Flow to Interest Bearing Liability Ratio (%)	17.5	8.9	15.8	16.0	11.3
Interest Coverage Ratio	3.6	7.7	4.5	3.8	4.1

Net Asset Ratio: Net Assets / Total Assets

Capital Adequacy Ratio: Market Capitalization / Total Assets

Cash Flow to Interest Bearing Liability Ratio: Interest Bearing liabilities / 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 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 distribution of profits to shareholders during the current term, we expect to maintain the same full year dividend as the previous term of 38 yen 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. 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 for 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 were in their own home. In addition to our efforts to strengthen our relationships with various schools to provide their students with room and board, we provide flexible housing solutions to Japanese corporations, whose employee numbers change dramatically, by supplying them with only the number of rooms they need to match the number of employees 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 the cancellation of resident contracts by schools, and by corporations due to restructuring of their work force.

With regards to our hotel business, we have been able to insulate 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 our competitors. However 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 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 which could result in a loss of business resulting 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 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 that 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 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 was 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 Brief 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" (Implementation Guidance Number 6) 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.

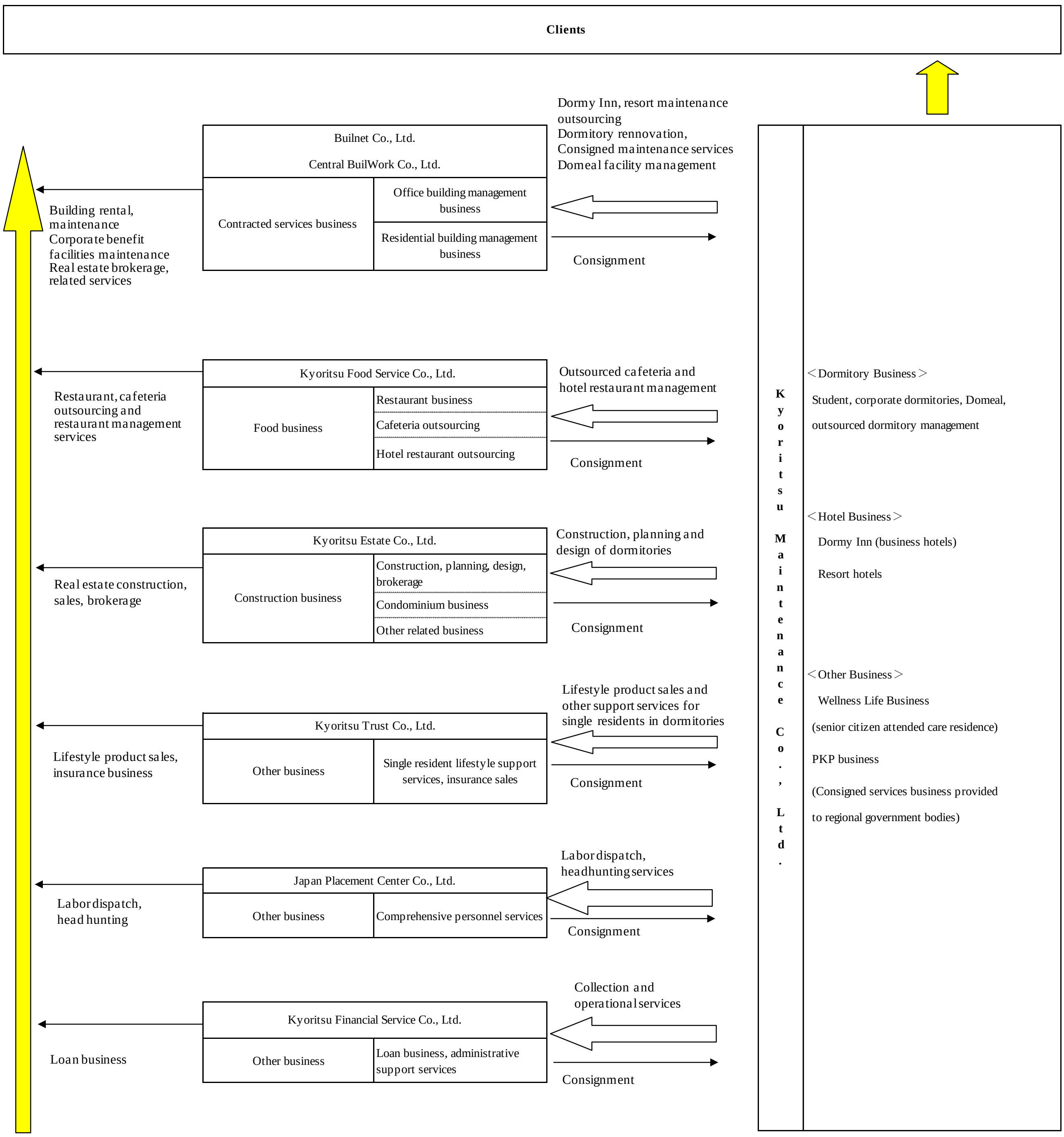
⑤ Important Contracts
The dormitories and hotels we operate are leased by our company from the owners of the assets under long-term lease agreements ranging from 10 to 20 years. Some of these facilities have stipulations in their lease contracts that prohibit the cancellation of the lease agreement prior 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.

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 52.5% at end fiscal year March 2012. 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 2012, 86.4% 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, 10 subsidiaries, and four affiliated companies. Our main businesses consist of dormitories, hotels, contracted services, food service, construction 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.
Hotels	Dormy Inn (Business hotels) Resort hotels	Kyoritsu Maintenance Co., Ltd. Six other companies
Contracted Services	Office building management business Residential property management business	Builnet Co., Ltd. One other company
Food Service	Restaurant business Outsourced catering business Hotel restaurant outsourcing business	Kyoritsu Food Services Co., Ltd.
Construction	Construction, planning, design, brokerage, condominium sales, other related real estate development business	Kyoritsu Estate Co., Ltd.
Other	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 Other related businesses	Kyoritsu Maintenance Co., Ltd. Kyoritsu Trust Co., Ltd. Japan Placement Center Co., Ltd. Kyoritsu Financial Service Co., Ltd. Two other companies

Schematic Diagram of Our Operations



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

With regards to the above three issues, we have chosen to eliminate any explanation of them because there have been no substantive changes made to them since our previous announcement in our fiscal year March 2009 earnings announcement released on May 15, 2009.

For further details please refer to the earnings announcement report for fiscal year March 2009 at the following url.

(Kyoritsu Maintenance website)
http://www.kyoritsugroup.co.jp/ir/library.html
(Tokyo Stock Exchange Home Page:　Search Function for Listed Companies)
http://www.tse.or.jp/listing/compsearch/index.html

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Units:　Million Yen)

	Previous Term (March 31, 2011)	Current Term (March 31, 2012)
Assets		
Current assets		
Cash and equivalents	27,855	17,342
Notes, accounts receivable	2,832	3,790
Real estate for sale	1,081	―
Uncompleted real estate for sale	―	1,746
Uncompleted construction payment	235	87
Deferred tax assets	539	668
Others	4,271	4,646
Doubtful account reserves	-32	-46
Total current assets	36,783	28,234
Fixed assets		
Tangible fixed assets		
Buildings, structures	44,559	46,056
Depreciation, aggregated	-14,231	-15,632
Buildings, structures (net)	30,327	30,423
Land	24,454	23,852
Buildings, structures in trust	10,767	6,240
Depreciation, aggregated	-1,845	-1,131
Buildings, structures in trust (net)	8,921	5,108
Land in trust	2,558	1,354
Construction in progress	3,342	1,505
Others	7,170	7,504
Depreciation, aggregated	-5,488	-6,094
Others (net)	1,681	1,410
Total tangible fixed assets	71,285	63,654
Intangible fixed assets	3,785	3,663
Investments, other assets		
Investment securities	5,783	5,687
Long term loans	1,405	1,252
Security deposits	8,948	9,602
Deposits	7,787	8,484
Deferred tax assets	2,791	2,277
Others	2,810	2,891
Doubtful account reserves	-169	-193
Total investments, other assets	29,357	30,001
Total fixed assets	104,428	97,319
Deferred assets		
Bond issuance fees	101	95
Total deferred assets	101	95
Total assets	141,314	125,649

(Units:　Million Yen)

	Previous Term (March 31, 2011)	Current Term (March 31, 2012)
Liabilities		
Current liabilities		
Notes, accounts payables	2,609	3,402
Short term debt	17,945	15,596
Bond, portion redeemable within 1 year	11,640	1,520
Unpaid corporate taxes	955	1,600
Prepayments	10,975	10,738
Bonus reserves	581	840
Director bonus reserves	128	179
Completed construction guarantee reserves	12	10
Construction work loss reserves	4	—
Others	5,694	5,072
Total current liabilities	50,546	38,961
Fixed liabilities		
Bonds	7,745	8,225
Long term debt	45,701	40,100
Long term security deposits	3,484	3,420
Deferred tax liabilities	833	714
Retirement benefit reserves	1,223	1,183
Director retirement benefit reserves	313	306
Asset retirement obligation	155	199
Others	1,143	985
Total fixed liabilities	60,600	55,135
Total liabilities	111,147	94,097
Net assets		
Shareholders' equity		
Capital	5,136	5,136
Capital surplus	5,943	5,943
Retained earnings	21,211	23,042
Treasury stock	-1,470	-1,809
Total shareholders' equity	30,820	32,312
Other comprehensive income, aggregated		
Other marketable securities valuation gains	-655	-761
Total other comprehensive income, aggregated	-655	-761
Minority interests	1	—
Total net assets	30,166	31,551
Total liabilities, net assets	141,314	125,649

(2) Consolidated Income, Comprehensive Income Statements

Consolidated Income Statement

(Units: Million Yen)

	Previous Term FY3/11 (From April 1, 2010 to March 31, 2011)	Current Term FY3/12 (From April 1, 2011 to March 31, 2012)
Net Sales	84,983	91,170
CGS	69,575	73,307
Gross income	15,408	17,863
SG&A		
Payroll, bonuses	3,275	3,649
Corporate fringe benefits	556	639
Bonus reserves provisions	136	209
Director bonus reserves provisions	128	179
Retirement reserves provisions	118	48
Director retirement benefit reserves provisions	3	2
Sales promotion expense	1,227	1,446
Commissions	2,406	2,774
Doubtful account reserve provisions	37	30
Outsourcing expenses	926	869
Rent	278	273
Depreciation, amortization	219	190
Goodwill amortization	86	27
Others	1,395	1,502
Total SG&A	10,797	11,845
Operating income	4,610	6,017
Non-operating income		
Interest income	73	84
Dividend income	34	32
Deposit redemption income	162	120
Penalty charge income	43	40
Others	266	90
Total non-operating income	581	368
Non-operating expense		
Interest payment	1,364	1,435
Others	519	348
Total non-operating income	1,883	1,783
Ordinary income	3,308	4,602

(Units: Million Yen)

	Previous Term FY3/11 (From April 1, 2010 To March 31, 2011)	Current Term FY3/12 (From April 1, 2011 To March 31, 2012)
Extraordinary income		
Fixed asset sale income	652	555
Others	108	44
Total extraordinary income	761	599
Extraordinary loss		
Fixed Asset sale loss	323	—
Impairment loss	53	86
Marketable securities valuation loss	153	69
Disaster related loss	111	135
Impact from implementation of asset retirement obligation accounting standards	696	—
Others	142	31
Total extraordinary loss	1,481	322
Net income before taxes	2,588	4,879
Corporate, residence, enterprise taxes	1,624	2,381
Corporate tax adjustment	-105	121
Total taxes	1,519	2,502
Net income before adjustment for minority interests in income	1,069	2,376
Minority interests in income	16	0
Net income	1,052	2,376

Consolidated Comprehensive Income Statement

(Units: Million Yen)

	Previous Term FY3/11 (From April 1, 2010 To March 31, 2011)	Current Term FY3/12 (From April 1, 2011 To March 31, 2012)
Net income before adjustment for minority interests in income	1,069	2,376
Other comprehensive income		
Other marketable securities valuation gains	140	-105
Total other comprehensive income	140	-105
Comprehensive income	1,209	2,270
(Details)		
Comprehensive income of parent company shareholders	1,192	2,270
Comprehensive income of minority shareholdings	16	0

(3) Consolidated Cash Flow Statement

(Units:　Million Yen)

	Previous Term FY3/11 (From April 1, 2010 To March 31, 2011)	Current Term FY3/12 (From April 1, 2011 To April 1, 2012)
Cash flow from operating activities		
Net income before taxes	2,588	4,879
Depreciation, amortization	4,278	3,429
Amortization of long term prepayments	244	214
Fixed asset impairment, sale income	-291	-512
Amortization of security deposits	159	197
Change in bonus reserves	-41	258
Interest, dividends received	-108	-116
Interest paid	1,364	1,435
Marketable securities valuation loss	153	69
Change in account receivables	1,049	-957
Change in inventories	-29	-568
Change in payables	-1,198	629
Change in unpaid expenses	7	390
Change in prepayments received	-1,483	-237
Change in unpaid consumption tax	344	-703
Change in deposits received	-146	237
Change in security deposits received	-471	-331
Change in advance revenues	-143	-143
Impact of implementation of asset retirement obligation accounting standard	696	—
Others	740	752
Subtotal	7,710	8,922
Interest, dividends received		87
Interest payment	-1,371	-1,423
Corporate, other tax refund	44	6
Corporate, other tax payment	-1,237	-1,752
Cash flow from operating activities	5,226	5,841
Cash flow from investing activities		
Acquisition of marketable securities	-1,166	-289
Sale of marketable securities	1,698	298
Acquisition of tangible fixed assets	-2,870	-3,739
Sale of tangible fixed assets	11,398	7,875
Acquisition of intangible fixed assets	-166	-218
Loans extended	-848	-519
Loans recovered	1,067	566
Payment of deposits, security deposits	-1,478	-1,606
Return of deposits, security deposits	374	63
Payment into insurance reserves	-145	-331
Redemption of insurance reserves	685	149
Others	-209	37
Cash flow from investing activities	8,338	2,287

(Units: Million Yen)

	Previous Term FY3/11 (From April 1, 2010 To March 31, 2011)	Current Term FY3/12 (From April 1, 2011 To April 1, 2012)
Cash flow from financing activities		
Change in short term debt	-1,787	—
Assumption of new long term debt	16,84	4,445
Repayment of long term debt	-10,6	-12,395
Bond issuance income		1,955
Payment for redemption of bonds	-1,89	-11,652
Treasury stock acquisition	-0	-341
Dividend payment	-546	-544
Dividend payment to minority shareholders	-9	-0
Others	-126	-109
Cash flow from financing activities	1,871	-18,642
Change in cash and equivalents	15,437	-10,513
Cash and equivalents at term start	11,460	26,898
Cash and equivalents at term end	26,898	16,384

(4) Notes on Assumptions Regarding Going Concern
Not applicable

(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. Information pertaining to segment sales, operating income and losses, assets, liabilities and other items

Ⅰ. Consolidated Figures for FY March 2011 (From April 1, 2010 to March 31, 2011)

(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	38,491	30,192	7,507	1,252	4,941	82,386	2,597	84,983	—	84,983
Internal sales and transfers	107	83	4,247	2,807	2,510	9,757	689	10,446	-10,446	—
Total	38,599	30,275	11,755	4,059	7,451	92,143	3,286	95,429	-10,446	84,983
Operating income	5,842	336	185	-208	225	6,381	-37	6,343	-1,733	4,610
Assets	40,674	53,422	9,094	624	5,468	109,284	4,668	113,952	27,361	141,314
Other items										
Depreciation	1,146	2,921	87	48	39	4,242	44	4,287	-9	4,278
Goodwill amortization	—	—	12	1	62	76	10	86	—	86
Impairment loss	4	12	—	35	—	53	—	53	—	53
Change in tangible, intangible fixed assets	1,617	2,418	60	136	6	4,239	128	4,367	-145	4,221

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

2. Details of adjustments are provided below.

(Units: Million Yen)

Operating Income	
Intersegment transaction cancelations	5
Company wide expenses (Note)	-1,738
Total	-1,733

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

(Units: Million Yen)

Assets	
Intersegment transaction cancelations	-3,669
Company wide assets (Note)	31,031
Total	27,361

(Note) Company wide 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.

Ⅱ. Consolidated Figures for FY March 2012 (From April 1, 2011 to March 31, 2012)

(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	39,644	33,784	7,646	1,395	4,975	87,446	3,724	91,170	—	91,170
Internal sales and transfers	114	81	4,730	3,088	1,356	9,371	381	9,753	-9,753	—
Total	39,759	33,866	12,376	4,484	6,331	96,817	4,106	100,924	-9,753	91,170
Operating income	5,987	1,462	138	-138	567	8,018	-388	7,629	-1,611	6,017
Assets	38,747	49,116	9,246	1,002	5,324	103,437	5,105	108,542	17,106	125,649
Other items										
Depreciation	869	2,329	74	50	38	3,363	61	3,424	4	3,429
Goodwill amortization	—	—	26	—	—	26	1	27	—	27
Impairment loss	18	25	40	1	—	86	—	86	—	86
Change in tangible, intangible fixed assets	664	2,858	114	149	6	3,793	46	3,839	218	4,058

(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, which regional government bodies consign to us and the services are provided to residents by us), single life support services, insurance agency business, comprehensive human resources, financing services and advertising agency services, and other related services.

2. Details of adjustments are provided below.

(Units: Million Yen)

Operating Income	
Intersegment transaction cancelations	79
Company wide expenses (Note)	-1,691
Total	-1,611

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

(Units: Million Yen)

Assets	
Intersegment transaction cancelations	-3,272
Company wide assets (Note)	20,378
Total	17,106

(Note) Company wide 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.