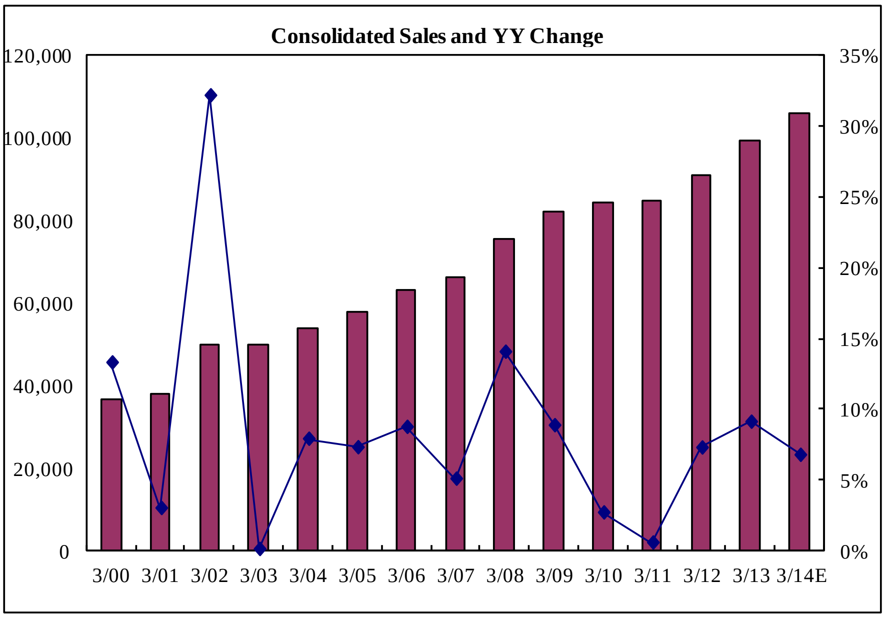
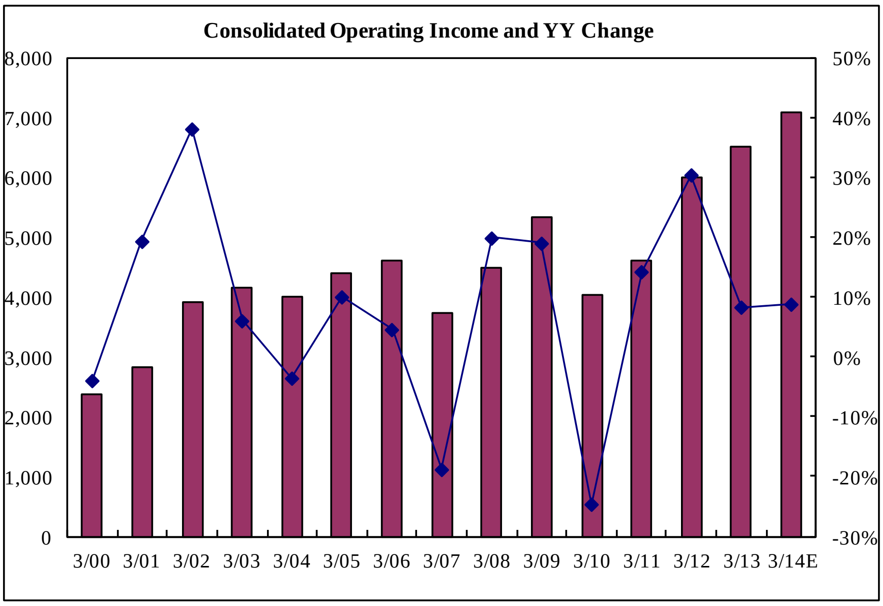
Kyoritsu Maintenance Co., Ltd.
(Securities Code:　9616)

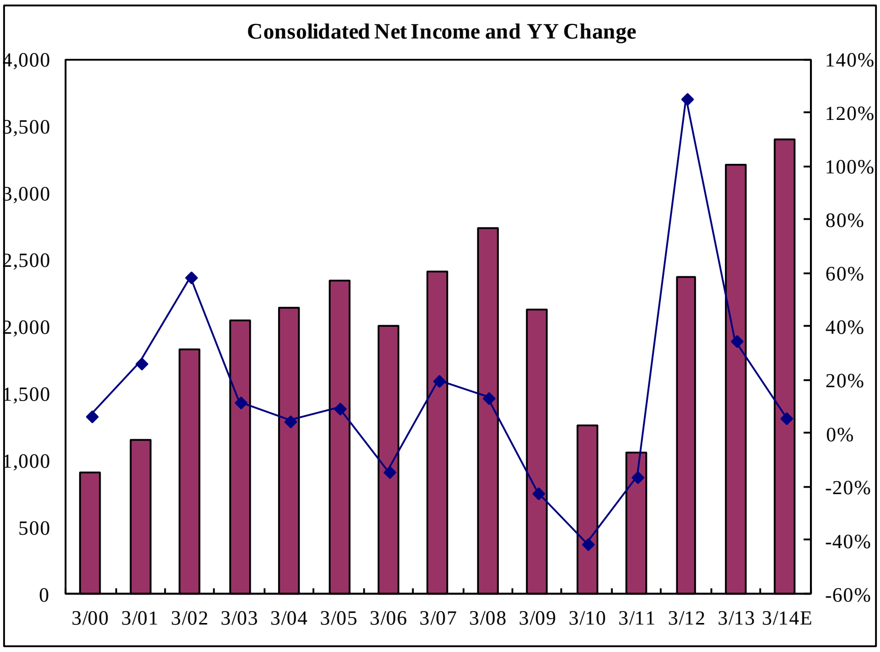
Fiscal Year March 2013
Consolidated Earnings Results Update

May 2013

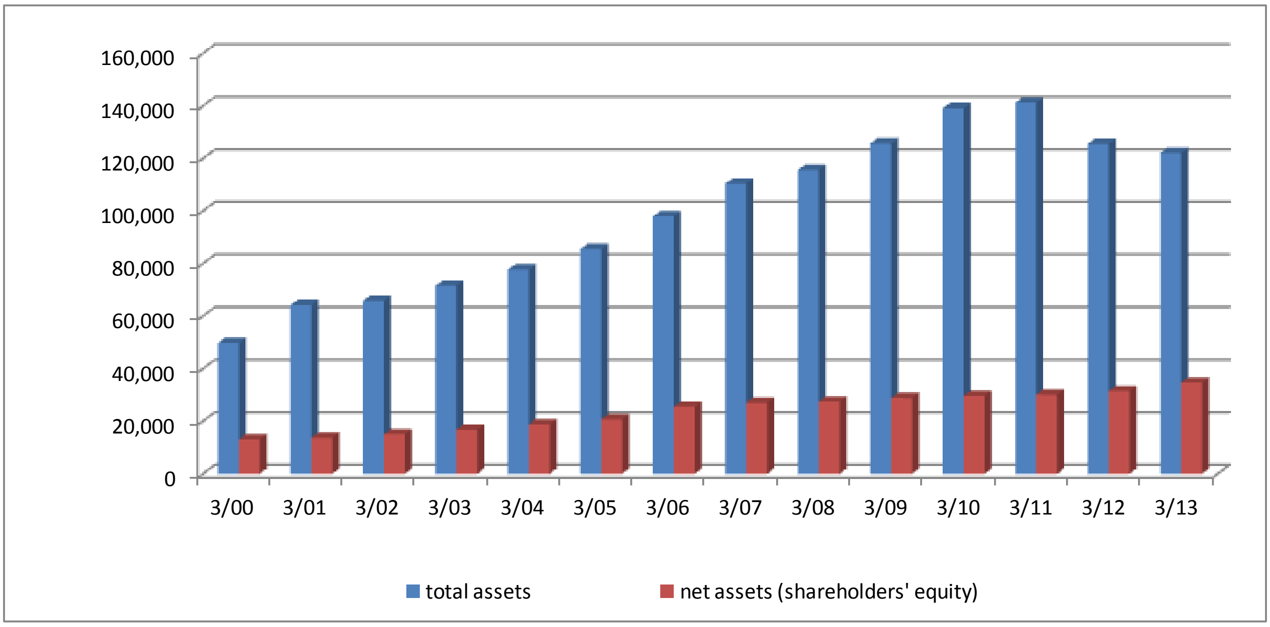
Kyoritsu Maintenance Consolidated Financial Data at a Glance







(Units: Million Yen)



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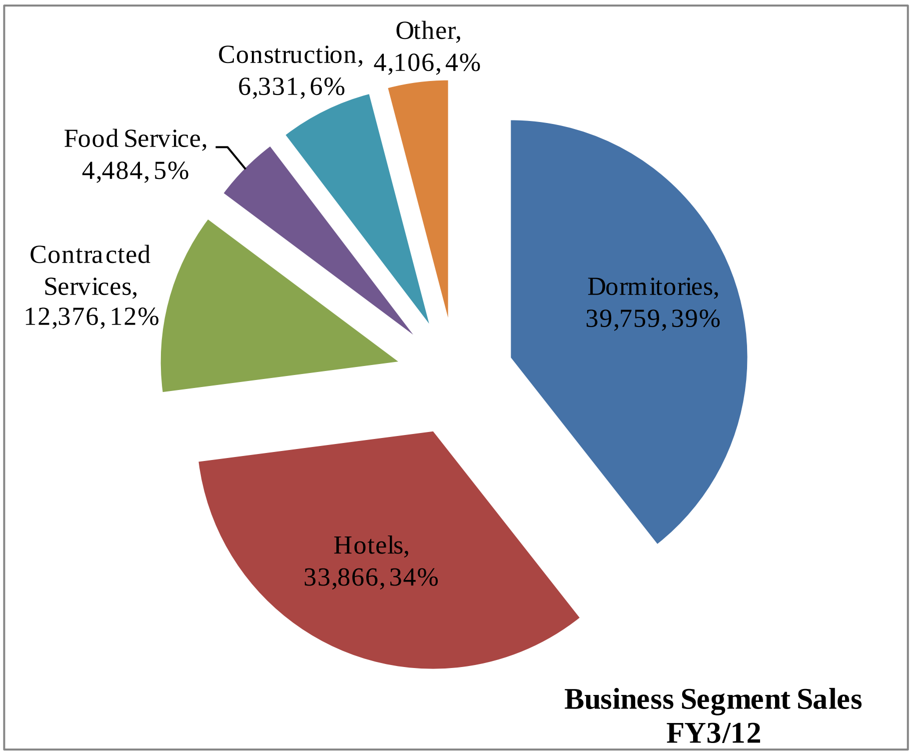

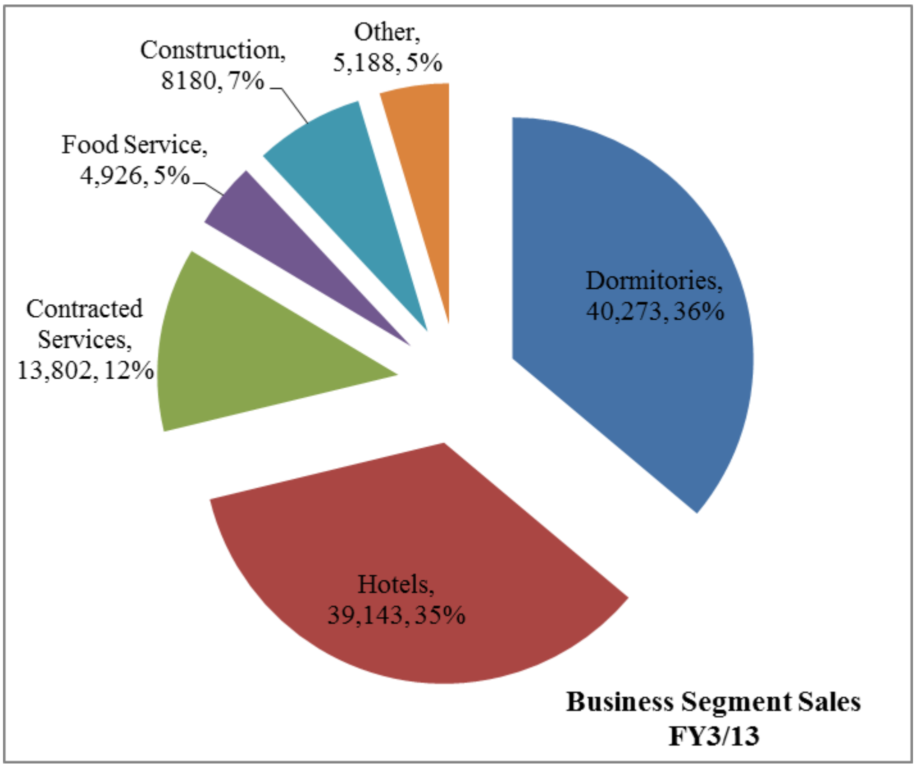

(Units: Million Yen)

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**	**3/13**	**3/14E**
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	99,472	106,200
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	19,910	20,900
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	6,521	7,100
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	5,599	6,200
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	3,206	3,400
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	30,852	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	91,335	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	122,259	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	38,892	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	48,584	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	87,476	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	34,782	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%	9.1%	6.8%
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%	11.5%	5.0%
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%	8.4%	8.9%
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%	21.7%	10.7%
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%	34.9%	6.0%
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%	20.0%	19.7%
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%	6.6%	6.7%
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%	5.6%	5.8%
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%	3.2%	3.2%
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%	9.7%	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%	2.6%	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%	28.4%	na
Units: million yen															

Fiscal Year March 2013 Consolidated Earnings Announcement

May 15, 2013
Tokyo Stock Exchange

Company Name: Kyoritsu Maintenance Co., Ltd.
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, 2013
Financial Accounts Filing Date (Anticipated): June 26, 2013
Dividend Payment Date (Anticipated): June 27, 2013
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 2013 Consolidated Earnings (From April 1, 2012 to March 31, 2013)

(1) Consolidated Earnings (Aggregated)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/13	99,472	9.1	6,521	8.4	5,599	21.7	3,206	34.9
FY3/12	91,170	7.3	6,017	30.5	4,602	39.1	2,376	125.7

(Note) Comprehensive income: ¥3,791 million (67.0%) in FY3/13, ¥2,270 million (87.7%) in FY3/12

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Asset Ratio	Operating Margin
	Yen	Yen	%	%	%
FY3/13	227.21	—	9.7	4.5	6.6
FY3/12	166.35	152.43	7.7	3.4	6.6

(Reference) Equity accounting method profit: ¥0 in FY3/13, ¥0 in FY3/12

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value per Share
	Million yen	Million yen	%	Yen
FY3/13	122,259	34,782	28.4	2,465.00
FY3/12	125,649	31,551	25.1	2,235.83

(Reference) Capital: ¥34,782 million in FY3/13, ¥31,551 million in FY3/12

(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
FY3/13	5,025	2,039	-8,402	16,665
FY3/12	5,841	2,287	-18,642	16,384

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	%	%
FY3/12	—	19.00	—	19.00	38.00	541	22.8	1.8
FY3/13	—	19.00	—	24.00	43.00	606	18.9	1.8
FY3/14 (Projected)	—	21.00	—	22.00	43.00		17.8	

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

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	51,600	9.0	3,550	-2.8	2,950	-2.9	1,600	-1.2	113.39
Full Year	106,200	6.8	7,100	8.9	6,200	10.7	3,400	6.0	240.95

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: Applicable

④ Redisplay of revisions: None

① Shares issued as of term end (including treasury shares):	FY3/13	15,125,582	FY3/12	15,125,582
② Treasury stock as of term end:	FY3/13	1,014,894	FY3/12	1,013,844
③ Average during the term:	FY3/13	14,111,430	FY3/12	14,286,461

(Reference) Parent Earnings Results

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

(1) Parent Earnings

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/13	81,633	8.8	5,842	20.1	5,216	37.3	2,684	46.6
FY3/12	75,038	8.3	4,863	24.6	3,799	40.1	1,831	97.5

	EPS	Fully Diluted EPS
	Yen	Yen
FY3/13	190.25	—
FY3/12	128.17	117.44

(2) Parent Financial Position

	Total Assets	Net Assets	Equity Ratio	Book Value per Share
	Million yen	Million yen	%	Yen
FY3/13	111,065	31,734	28.6	2,248.98
FY3/12	111,359	29,027	26.1	2,056.97

(Reference) Capital: ¥31,734 million in FY3/13, ¥29,027 million in FY3/12

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

	Net Sales		Operating Income		Ordinary Income		Net Income
	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	44,100	8.0	3,100	1.0	1,750	13.2	124.02
Full Year	88,700	8.7	6,000	15.0	3,350	24.8	237.41

* 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 been implemented.

* 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 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 "1. Analysis of Business Results, Financial Condition, (1) Analysis of Business Results, 3) Earnings Estimates for the Coming Term" on page 5.

* Regarding the method to find our earnings presentation documents

Our earnings presentation documents have been posted on our website.

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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 FY3/12	Current Term FY3/13	% YY Change
Net Sales	91,170	99,472	9.1
Operating Income	6,017	6,521	8.4
Ordinary Income	4,602	5,599	21.7
Net Income	2,376	3,206	34.9

The Japanese economy suffered from various negative factors including the European financial crisis and economic slowing in China during the first half, but benefitted from optimism over the economic and financial policies of the new Abe administration and the subsequent higher share prices and weaker yen observed during the second half.

Against this backdrop, the main dormitory business saw favorable occupancy rates of 96.5% (A 1.2% point increase from the previous term) at the start of the term, and they remained at relatively high levels throughout the remainder of the term. In the hotel business, the Dormy Inn business hotel and resort hotel operations both saw occupancy rates rise above the previous year's levels and customer pricing trend firmly. Moreover, the current term marked the year in which Kyoritsu Maintenance adopted the slogan "Human Maintenance" as a philosophy to ensure the long term existence of the Company for 100 years. As part of this strategy, the Company launched new efforts in both public and investor relations including the sponsorship of the "Hakone Ekiden" long distance university relay race to increase the brand recognition and understanding of Kyoritsu with students and the general public.

As a result of these endeavors, sales, and operating, ordinary and net incomes rose by 9.1% (¥8,301 million), 8.4%, 21.7% and 34.9% year-over-year to ¥99,472, ¥6,521, ¥5,599, and ¥3,206 million respectively. All of these figures exceeded the previous record highs by large margins. Consequently, Kyoritsu expects to increase its yearend dividend.

2) Our Main Business Segment Performance

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

	Previous Term FY3/12	Current Term FY3/13	% YY Change
Contracted Residents	31,030	31,439	1.3
Sales (Million Yen)	39,759	40,273	1.3
Operating Income (Million yen)	5,987	6,020	0.6

The operating environment surrounding the student dormitory business continues to be plagued by structural issues 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.

Against this backdrop, business trended favorably with new alliances formed with the University of Tokyo, Kansai University, Osaka Medical College, Toin University of Yokohama 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 1.1% year-over-year to 19,319 residents and sales rose by 2.0% year-over-year to ¥24,119 million.

And while the environment surrounding the corporate dormitory business was somewhat positive with the outlook for an increase in new graduate hires compared with the previous term, difficult trends in the total number of newly graduating students continued. 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. In our corporate dormitories, the number of contracted residents rose by 2.1% year-over-year at the end of the fiscal year to 7,897, and sales rose by 1.0% year-over-year to ¥9,415 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 1.1% year-over-year to 4,223, but sales fell by 0.7% year-over-year to ¥3,560 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." Despite these efforts, sales fell by 0.9% year-over-year to ¥3,178 million.

Consequently, the number of dormitory facilities declined by 1 to 418 (excluding consigned facilities), contracted residents grew by 104 to 32,413, and sales increased by 1.3% year-over-year to ¥40,273 million. With regards to expenses, strict management of costs on a facility by facility basis allowed operating income to rise by 0.6% year-over-year to ¥6,020 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 0.5% points year-over-year to 97.0% at the start of the next term.

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

	Previous Term FY3/12	Current Term FY3/13	% YY Change
Sales	33,866	39,143	15.6
Operating Income	1,462	2,842	94.3

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 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.

Moreover, Kyoritsu was awarded first place ranking in both the business hotel category of the JCSI (Japanese Customer Satisfaction Index) and the J.D. Power Asia Pacific 2012 Japan Hotel Service Customer Satisfaction Survey for hotels under ¥9,000 per night in reflection of the continued favorable reception of its facilities and services by the market. Furthermore, the weakening of the yen since the start of the year has contributed to a widening in our customer base with an increase in visitors from Korea. Against this backdrop, the opening of five new facilities including "Dormy Inn PREMIUM Shibuya Jingumae," "Natural Hot Spring Kishu no Yu Dormy Inn PREMIUM Wakayama," "Natural Hot Spring Kirizakura no Yu Dormy Inn Kagoshima," "Dormy Inn EXPRESS Matsue," and "Natural Hot Spring Kinka no Yu Dormy Inn Gifu Station Front," and increases in both occupancy rates and pricing at existing facilities contributed to higher sales. As a result, sales rose by 17.0% year-over-year to ¥19,202 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 our newly opened "Morden no Yu La Vista Appi Kogen" was favorably received. Furthermore, at the "Kyoto Arashiyama Natural Hot Spring Gatensho" newly opened during the previous term and other existing facilities, we created a product lineup that was successful in raising the occupancy rates on weekdays. Furthermore, full year occupancy rates trended above the previous year's levels and exceeded our initial estimates by a large margin. Therefore we were able to record sales growth of 14.2% year-over-year to ¥19,941 million.

Six newly opened facilities in the hotel business brought the number of hotels operated to 69 and the number of rooms increased by 798 to 10,295. Consequently, sales and operating income rose by large margins of 15.6% and 94.3% year-over-year to ¥39,143 and ¥2,842 million respectively and these two pillars of our earnings contributed strongly to our earnings.

Contracted Services Business (Units: Million Yen)

	Previous Term FY3/12	Current Term FY3/13	% YY Change
Sales	12,376	13,802	11.5
Operating Income	138	56	-59.0

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 intense competition arising from consolidation of service providers in the greater Tokyo metropolitan area. Against this backdrop, sales grew on the back of increases in orders of the construction division, but large contract cancellations in consigned building rental business were observed. Consequently, sales grew by 11.5% year-over-year to ¥13,802 million, but operating income fell by 59.0% year-over-year to ¥56 million.

Food Service Business (Units: Million Yen)

	Previous Term FY3/12	Current Term FY3/13	% YY Change
Sales	4,484	4,926	9.9
Operating Income	-138	-126	—

In the food service business, a recovery in consumer spending continued to encounter delays and severe operating conditions remained in place. As a result, some restaurants encountered delays in improvements in earnings due to weak growth. And while sales rose by 9.9% year-over-year to ¥4,926 million, an operating loss of ¥126 million was incurred.

Construction Business (Units: Million Yen)

	Previous Term FY3/12	Current Term FY3/13	% YY Change
Sales	6,331	8,180	29.2
Operating Income	567	361	-36.4

In the construction business, an increase in the number of dormitory and hotel development projects compared with the previous term allowed sales to increase. At the same time, a decline in the development of condominiums for sale was also observed. Consequently sales rose by 29.2% year-over-year to ¥8,180 million but operating income declined by 36.4% year-over-year to ¥361 million.

Other Business (Units: Million Yen)

	Previous Term FY3/12	Current Term FY3/13	% YY Change
Sales	4,106	5,188	26.4
Operating Income	-388	-448	—

Our other business is comprised of the wellness life business (Management of senior citizen housing), the PKP business (Consigned services business, which regional government bodies consign to us and the services are provided to residents by us), 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 26.4% from the previous year to ¥5,188 million, while an operating loss of ¥448 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)

	Current Term FY3/13	Next Term FY3/14	% YY Change
Net Sales	99,472	106,200	6.8
Operating Income	6,521	7,100	8.9
Ordinary Income	5,599	6,200	10.7
Net Income	3,206	3,400	6.0

(Parent Earnings) (Units: Million Yen)

	Current Term FY3/13	Next Term FY3/14	% YY Change
Sales	81,633	88,700	8.7
Ordinary Income	5,216	6,000	15.0
Net Income	2,684	3,350	24.8

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 97.0%. 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” in the Gangnam area of Seoul, Korea in July 2014, and expand our operations into other regions within Asia that exhibit high paced economic growth. By doing so, we endeavor to to act as a bridge linking Japan with Asia by providing our hotel services to Japanese going abroad and foreigners visiting Japan, and to promote economic 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 as a leading resort hotel operator.

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 service 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, Kyoritsu expects consolidated sales, and operating, ordinary and net incomes to rise by 6.8%, 8.9%, 10.7%, and 6.0% year-over-year to ¥106,200, ¥7,100, ¥6,200, and ¥3,400 million respectively in fiscal year March 2014. At the same time, we expect parent sales and ordinary and net incomes to rise by 8.7%, 15.0%, and 24.8% year-over-year to ¥88,700, ¥6,000 and ¥3,350 million respectively.

(2) Analysis of Financial Conditions

1) Conditions of Assets, Liabilities, and Net Assets

During the current fiscal year, total consolidated assets declined by ¥3,389 million from the end of the previous fiscal year to ¥122,259 million. The main factor behind this decline was a contraction in tangible fixed assets.

Over the same period, total liabilities also fell by ¥6,620 million to ¥87,476 million due primarily to declines in debt and bonds.

Net assets increased by ¥3,231 million to ¥34,782 million over the same period due primarily to the rise in retained earnings.

Consequently, equity ratio rose by 3.3% points from the end of the previous term to 28.4% at the end of the current term.

2) Cash Flow Conditions

Consolidated cash and equivalents grew by ¥280 million from the end of the previous term to ¥16,665 million at the end of the current term.

(Cash Flow from Operating Activities)

The net cash inflow from operating activities declined by ¥815 million from the previous term to ¥5,025 million in the current term, due in part to higher accounts payables and despite growth in income before taxes.

(Cash Flow from Investing Activities)

The sale and acquisition of tangible fixed assets were amongst factors contributing to a ¥247 million decline in the net cash inflow to ¥2,039 million in investing activities.

(Cash Flow from Financing Activities)

The net cash outflow in financing activities decreased by ¥10,240 million to ¥8,402 million due in part to increases in short term debt and repayment of long term debt.

(Reference) Trends in Our Cash Flow Indicators

	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13
Equity Ratio (%)	22.8	21.2	21.3	25.1	28.4
Equity Ratio, Market Capital Based (%)	17.6	14.2	12.0	19.5	30.7
Cash Flow to Interest Bearing Liability Ratio (%)	8.9	15.8	16.0	11.3	11.6
Interest Coverage Ratio	7.7	4.5	3.8	4.1	4.0

Equity Ratio: Capital / Total Assets

Equity Ratio, Market Capital Based: 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

(Note)
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 ¥5 per share to ¥24 at the term end for a full year dividend of ¥43 per share. Furthermore, we expect to maintain a ¥43 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 the largest 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 were to occur and our earnings may also be profoundly impacted.

4) Regarding the Implementation of "Asset Impairment Accounting"

On August 9, 2002 the Business Accounting Council announced a report entitled "White Paper on the Accounting Standards for Fixed Asset Impairment Accounting" and the policy paper entitled "Policy Statement for the Implementation of Accounting Standards for Fixed Asset Impairment Accounting" (Implementation Policy 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 agreement prior 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

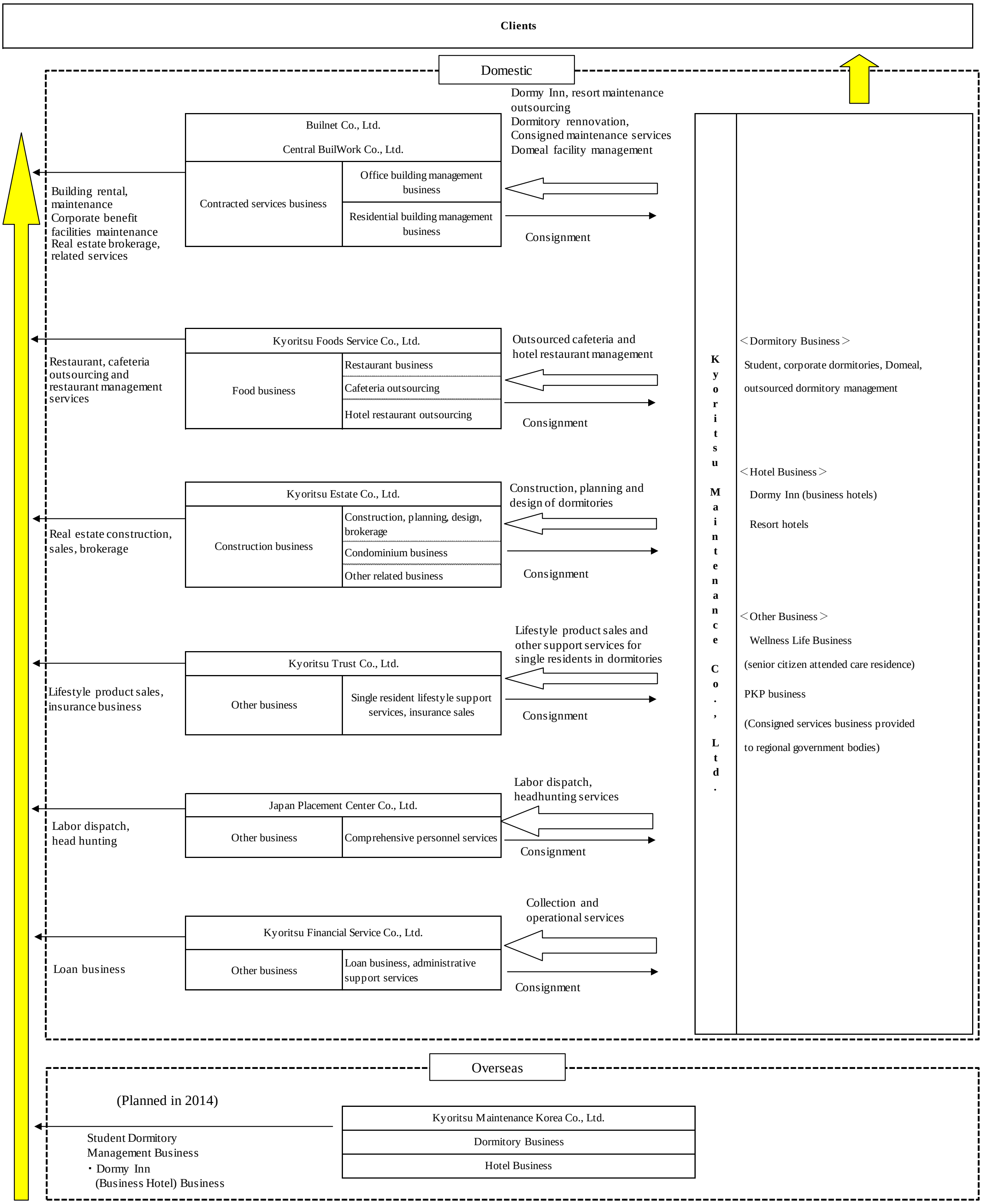
In our business, we use bank debt in addition to our own capital, and our interest bearing liabilities ratio as a percentage of our total assets stood at 47.6% at end fiscal year March 2013. As for our Group, we are pursuing a strategy of reducing our dependence upon interest bearing liabilities, which 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 2013, 83.4% 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, 11 subsidiaries, and four 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, domeal 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 Co., Ltd. One other company
Food Service Business	Restaurant business Outsourced catering business Hotel restaurant outsourcing business	Kyoritsu Foods Service Co., Ltd.
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, which regional government bodies consign to us and the services are provided to residents by us) 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. Four other companies

Schematic Diagram of Our Operations



3. Management Policy

(1) Basic Management Policy

Our Group has exerted every possible effort to provide the “highest level of customer satisfaction” since our founding, and we seek to raise our brand recognition by offering our residents useful and high quality services which focus upon themes such as “dining,” “living,” and “comfort.” We also offer guests at our facilities modern versions of the “traditional Japanese boarding house” (*Geshukuya*) that “provide heart-warming comfort” to satisfy all of their lifestyle needs, including the provision of high quality and helpful services. As a specific part of our business strategy, we seek to “further expand and raise the profitability of our core dormitory business,” “fortify the foundation of our hotel business and establish it as a driver of our future earnings,” and “quickly launch new businesses that can become the third cornerstone of our operations.” Finally, we seek to fortify our corporate structure to further improve the quality of our services, and to be able to contribute to the prosperity of our clients, our business partners, and the community.

(2) Benchmarks of Our Intermediate to Long-Term Management Strategy

The Kyoritsu Group maintains a basic goal of increasing its consolidated return on equity, and seeks to create a corporate structure that “emphasizes profitability.” In order to become a company that continues to grow during the coming 100 years, we seek to dominate the market by steadily growing our share of the dormitory business, cultivate our hotel business as the second driver of our earnings growth, and increase the synergies within our Group.

In order to achieve these goals, our Group has established the following targets.

1) We recognize the importance of strengthening our cooperation with universities to expand our share of the student dormitory market, which has been the source of Kyoritsu’s growth since our founding. At the same time we will accelerate the pace of our development activities and increase the resources we allocate to this business area.
2) In our corporate dormitory business, we note the trend by Japanese corporations to outsource the management of their own dormitories as part of their restructuring of corporate benefit programs. In response to this changing environment, we are strengthening our proposal based marketing efforts to capture more of this demand for single-employee housing and for outsourcing services for dormitories and other corporate housing facilities.
3) Our Dormy Inn operation (business hotels) has become an established part of our overall business model, and we will expand our hotel operations to all of the major cities throughout not only Japan, but also in Korea and other parts of Asia as a means of broadening our customer base as a growing this operation.
4) With regards to our resort business, we maintain a corporate philosophy of providing “high quality resort lifestyle at reasonable prices” to our customers. At the same time we will open facilities designed to “achieve harmony with the surrounding natural environment” as the theme for our next generation of resorts.
5) In our contracted services business, we will fortify the level of our technical expertise and the attractiveness of our services.
6) We seek to strengthen our overall financial position by optimizing the allocation of our business resources through more effective use of capital employed, and by increasing the liquidity of our real estate holdings through a shift of assets off our balance sheet.

In addition, we maintain the following management goals.

Ⅰ. Actively hire new staff and promote their training.
Ⅱ. Consolidate back office and other administrative functions, and streamline and increase the efficiency of our overall operations.
Ⅲ. Strengthen our IR function.

(3) Key Management Issues

In our efforts to further raise shareholder value, the Kyoritsu Maintenance Group maintains as its core principle based on the belief that customers are our primary concern and that helping them is the foundation of our work ethic.

In the development of our dormitory business, we will accurately assess demands of the market and always place an emphasis upon allocating our business resources effectively. Specifically, we strive to differentiate our services by providing seminars about employment strategies and raising the attractiveness of the facilities and the services we provide to students entering colleges and schools in the major metropolitan areas. Furthermore, we seek to strengthen our standing in the market and expand our operating territory by fortifying cooperation with vocational schools and major universities throughout Japan. Also, we will take advantage of the approaching opportunity for management of corporate housing accompanying reviews of corporate benefit programs. As part of this strategy, we will focus our efforts upon developing responses that accurately match the needs of our customers. At the same time, we will pursue increases in occupancy rates at our existing facilities, implement strict and constant management of costs at each of our facilities, and realize effective allocation of resources.

Using the know-how developed in our dormitory business as a base for our Domeal business (studio-type condominium dormitories), we will increase the supply of these facilities to respond to the trend for students to live alone instead of with roommates, and the growing trend for companies to provide rental housing to employees on an individual basis. Furthermore, we will pursue a marketing strategy targeting students, women, and single workers.

In our hotel business, we will accelerate the development of our Dormy Inn business (business hotel business), which has become an established part of our earnings structure, on a nationwide basis within not only Japan, but also in Korea and other foreign countries. At the same time, we seek to capture demand for Japanese going overseas and foreigners coming to Japan by having them utilize our growing network of hotels on a global basis. And in our resort business, we seek to raise the appeal of our existing facilities, and to attract customers to our facilities by providing “reasonable and high quality resort lifestyles” and “comforting accommodations.”

With regards to both the dormitory and hotel businesses, we seek to derive synergies through the effective use of our network of customers and facilities to grow the number of our users.

In our contracted services business, we are strengthening our proposal-based marketing capability and raising the quality levels and service line-up of our contracted service business to raise our competitive standing within the industry.

With regard to our food service business, we seek to improve both the flavor and service of our hotel restaurants, stand alone restaurants, and restaurants attached to golf courses. We also seek to strictly control food and other variable costs to improve our profitability.

In our real estate development business, we will continue to focus our efforts upon developing dormitories in the Tokyo metropolitan region where demand remains strong, and business and resort hotels with an eye to maintaining profitability against the backdrop of the difficult operating environment.

In our other business, we seek to establish the PKP business as a next generation cornerstone of our overall business by focusing upon development of a jointly conducted consigned services business with regional government bodies nationwide and to solidly establish the earnings foundations of this business. Furthermore, we will accurately assess customers’ needs in developing solutions to expand the Wellness Life business.

Within Kyoritsu’s investment plans for facility development through both leasing and acquisition of properties, we will also pursue a strategy of selling some of the facilities we own while maintaining leasing and operational contracts for these facilities. By doing so, we can maintain a more stable balance between the number of facilities managed and recovery of invested capital without impacting our earnings and improving our return on investments by restraining increases in interest bearing liabilities and maintaining a healthy financial position.

Kyoritsu adopted the corporate motto of “Konshin” (Spirited) last term as part of its efforts to achieve 120% of its potential corporate strength as a means of advancing to the next stage of growth. During the current term, “Kyokkou” (Morning sun) has been adopted as our corporate motto to instill drive in our employees to further expand our newer businesses which are growing to become new cornerstones of our overall operations.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Units: Million Yen)

	Previous Term (March 31, 2012)	Current Term (March 31, 2013)
Assets		
Current assets		
Cash and equivalents	17,342	17,622
Notes, accounts receivable	3,790	6,480
Real estate for sale	―	302
Uncompleted real estate for sale	1,746	914
Uncompleted construction payment	87	14
Deferred tax assets	668	766
Others	4,646	4,785
Doubtful account reserves	-46	-32
Total current assets	28,234	30,852
Fixed assets		
Tangible fixed assets		
Buildings, structures	46,056	46,222
Depreciation, aggregated	-15,632	-16,945
Buildings, structures (net)	30,423	29,276
Land	23,852	24,426
Buildings, structures in trust	6,240	―
Depreciation, aggregated	-1,131	―
Buildings, structures in trust (net)	5,108	―
Land in trust	1,354	―
Construction in progress	1,505	3,412
Others	7,504	7,731
Depreciation, aggregated	-6,094	-6,514
Others (net)	1,410	1,216
Total tangible fixed assets	63,654	58,332
Intangible fixed assets	3,663	1,950
Investments, other assets		
Investment securities	5,687	5,818
Long term loans	1,252	1,114
Security deposits	9,602	10,745
Deposits	8,484	9,063
Deferred tax assets	2,277	1,774
Others	2,891	2,743
Doubtful account reserves	-193	-207
Total investments, other assets	30,001	31,052
Total fixed assets	97,319	91,335
Deferred assets		
Bond issuance fees	95	71
Total deferred assets	95	71
Total assets	125,649	122,259

(Units: Million Yen)

	Previous Term (March 31, 2012)	Current Term (March 31, 2013)
Liabilities		
Current liabilities		
Notes, accounts payables	3,402	4,174
Short term debt	15,596	14,074
Bond, portion redeemable within 1 year	1,520	1,150
Unpaid corporate taxes	1,600	1,528
Prepayments	10,738	10,880
Bonus reserves	840	1,029
Completed construction guarantee reserves	179	232
Completed construction guarantee reserves	10	11
Deferred tax liability	—	0
Others	5,072	5,811
Total current liabilities	38,961	38,892
Fixed liabilities		
Bonds	8,225	7,450
Long term debt	40,100	34,976
Long term security deposits	3,420	3,016
Deferred tax liabilities	714	598
Retirement benefit reserves	1,183	1,201
Director retirement benefit reserves	306	309
Asset impairment liabilities	199	205
Others	985	826
Total fixed liabilities	55,135	48,584
Total liabilities	94,097	87,476
Net assets		
Shareholders' equity		
Capital	5,136	5,136
Capital reserves	5,943	5,943
Retained earnings	23,042	25,675
Treasury stock	-1,809	-1,811
Total shareholders' equity	32,312	34,943
Other comprehensive income, aggregated		
Other marketable securities valuation gains	-761	-198
Foreign exchange translation provisions	—	37
Total other comprehensive income, aggregated	-761	-160
Total net assets	31,551	34,782
Total liabilities, net assets	125,649	122,259

(2) Consolidated Income, Comprehensive Income Statements

(Consolidated Income Statements)

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Net Sales	91,170	99,472
CGS	73,307	79,562
Gross income	17,863	19,910
SG&A		
Pay, bonuses	3,649	3,809
Corporate fringe benefits	639	733
Bonus reserves provisions	209	272
Director bonus reserves provisions	179	232
Retirement reserves provisions	48	74
Director retirement reserves provisions	2	2
Sales promotion expense	1,446	1,752
Commissions	2,774	3,395
Doubtful account reserve provisions	30	14
Outsourcing expenses	869	966
Rent	273	298
Depreciation, amortization	190	198
Goodwill amortization	27	4
Others	1,502	1,636
Total SG&A	11,845	13,389
Operating income	6,017	6,521
Non-operating income		
Interest income	84	114
Dividend income	32	32
Deposit redemption income	120	111
Marketable security sale profit	4	65
Foreign exchange translation gain	0	128
Others	126	125
Total non-operating income	368	578
Non-operating expense		
Interest payment	1,435	1,233
Others	348	266
Total non-operating income	1,783	1,499
Ordinary income	4,602	5,599

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Extraordinary income		
Fixed asset sale income	555	986
Others	44	18
Total extraordinary income	599	1,004
Extraordinary loss		
Fixed asset sale loss	－	179
Impairment loss	86	184
Special retirement expense	－	97
Disaster related loss	135	―
Lease cancelation loss	－	134
Others	101	182
Total extraordinary loss	322	777
Net income before taxes	4,879	5,826
Corporate, residence, enterprise taxes	2,381	2,638
Corporate tax adjustment	121	-18
Total taxes	2,502	2,620
Net income before adjustment for minority interests in income	2,376	3,206
Minority interests in income	0	―
Net income	2,376	3,206

(Consolidated Comprehensive Income Statements)

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Net income before adjustment for minority interests in income	2,376	3,206
Other comprehensive income		
Other marketable securities valuation gains	-105	562
Foreign exchange translation gain provision	－	22
Total other comprehensive income	-105	585
Comprehensive income	2,270	3,791
(Details)		
Comprehensive income of parent company shareholders	2,270	3,791
Comprehensive income of minority shareholdings	0	―

(3) Consolidated Shareholders' Equity Statements

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Common stock		
Balance as of start of current fiscal year	5,136	5,136
Balance as of end of current fiscal year	5,136	5,136
Capital surplus		
Balance as of start of current fiscal year	5,943	5,943
Increase (decrease) due to change		
Sales of treasury stock	-0	—
Total change during fiscal year	-0	—
Balance as of end of current fiscal year	5,943	5,943
Retained earnings		
Balance as of start of current fiscal year	21,211	23,042
Increase (decrease) due to change		
Dividends from surplus	-545	-536
Net income	2,376	3,206
Change of scope of consolidation	—	-36
Total change during fiscal year	1,830	2,633
Balance as of end of current fiscal year	23,042	25,675
Treasury stock		
Balance as of start of current fiscal year	-1,470	-1,809
Increase (decrease) due to change		
Acquisition of treasury stock	-339	-2
Sales of treasury stock	0	—
Total change during fiscal year	-338	-2
Balance as of end of current fiscal year	-1,809	-1,811
Total shareholders' equity		
Balance as of start of current fiscal year	30,820	32,312
Increase (decrease) due to change		
Dividends from surplus	-545	-536
Net income	2,376	3,206
Change of scope of consolidation	—	-36
Acquisition of treasury stock	-339	-2
Sales of treasury stock	0	—
Total change during fiscal year	1,492	2,631
Balance as of end of current fiscal year	32,312	34,943

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Accumulated other comprehensive income		
Net unrealized gains on other securities		
Balance as of start of current fiscal year	-655	-761
Increase (decrease) due to change		
Items other than changes in shareholders' equity, due to change (net)	-105	562
Total change during fiscal year	-105	562
Balance as of end of current fiscal year	-761	-198
Translation adjustments		
Balance as of start of current fiscal year	—	—
Increase (decrease) due to change		
Items other than changes in shareholders' equity, net	—	37
Total change during fiscal year	—	37
Balance as of end of current fiscal year	—	37
Total accumulated other comprehensive income		
Balance as of start of current fiscal year	-655	-761
Increase (decrease) due to change		
Items other than changes in shareholders' equity, net	-105	600
Total change during fiscal year	-105	600
Balance as of end of current fiscal year	-761	-160
Minority interests		
Balance as of start of current fiscal year	1	—
Increase (decrease) due to change		
Items other than changes in shareholders' equity, net	-1	—
Total change during fiscal year	-1	—
Balance as of end of current fiscal year	—	—
Total net assets		
Balance as of start of current fiscal year	30,166	31,551
Increase (decrease) due to change		
Dividends from surplus	-545	-536
Net income	2,376	3,206
Change of scope of consolidation	—	-36
Acquisition of treasury stock	-339	-2
Sales of treasury stock	0	—
Items other than changes in shareholders' equity, net	-107	600
Total change during fiscal year	1,384	3,231
Balance as of end of current fiscal year	31,551	34,782

(4) Consolidated Cash Flow Statements

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Cash flow from operating activities		
Net income before taxes	4,879	5,826
Depreciation, amortization	3,429	2,986
Amortization of long term prepayments	214	156
Fixed asset impairment, sale income	-512	-779
Impairment loss	86	184
Amortization of security depotis	197	207
Change in bonus reserves	258	188
Interest, dividends received	-116	-147
Interest paid	1,435	1,233
Change in accounts receivables	-957	-2,690
Change in inventories	-568	601
Change in payables	629	686
Change in unpaid expenses	390	368
Change in prepayments	-237	141
Change in security deposits received	-331	-435
Change in advances received	-143	-143
Others	269	494
Subtotal	8,922	8,878
Interest, dividends received	87	104
Interest payment	-1,423	-1,244
Corporate, other tax returns	6	3
Corporate, other tax payment	-1,752	-2,715
Cash flow from operating activities	5,841	5,025
Cash flow from investing activities		
Acquisition of marketable securities	-289	-499
Sale of marketable securities	298	729
Acquisition of tangible fixed assets	-3,739	-3,989
Sale of tangible fixed assets	7,875	7,474
Acquisition of intangible fixed assets	-218	-96
Sale of intangible fixed assets	103	1,659
Loans extended	-519	-2,098
Loans recovered	566	718
Payment of deposits, security deposits	-1,606	-1,587
Return of deposits, security deposits	63	64
Payment into insurance reserves	-331	-546
Redemption of insurance reserves	149	277
Others	-65	-67
Cash flow from investing activities	2,287	2,039

(Units: Million Yen)

	Previous Term FY3/12 (From April 1, 2011 to March 31, 2012)	Current Term FY3/13 (From April 1, 2012 to March 31, 2013)
Cash flow from financing activities		
Change in short term debt	—	650
Assumption of new long term debt	4,445	2,750
Repayment of long term debt	-12,395	-10,046
Bond issuance income	1,955	1,959
Payment for redemption of bonds	-11,652	-3,145
Treasury stock acquisition	-341	-2
Dividend payment	-544	-534
Dividend payment to minority shareholders	-0	—
Others	-109	-33
Cash flow from financing activities	-18,642	-8,402
Net change in cash and equivalents	—	72
Change in cash and equivalents	-10,513	-1,264
Cash and equivalents at term start	26,898	16,384
Translation gains from change in scope of consolidation	—	1,544
Cash and equivalents at term end	16,384	16,665

(5) Consolidated Financial Statement Notes

(Notes on Assumptions Regarding Going Concern)

Not applicable

(Segment Information)

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

Consolidated Figures for Fiscal Year March 2012 (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 asset	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 other related services.

2. Details of adjustments are provided below

(Units: Million Yen)

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

(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 Companywide assets (Note)	-3,272 20,378
Total	17,106

(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 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, 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 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.