Annual Securities Report

(Report in accordance with Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

English excerpt translation of the “Yukashoken-Houkokusho”
for the 46th fiscal year (from April 1, 2024 to March 31, 2025)

KYORITSU MAINTENANCE CO., LTD.
E04908

1. Consolidated Financial Statements, Etc.

(1) Consolidated Financial Statements

1) Consolidated balance sheet

(Millions of yen)

		As of March 31, 2024		As of March 31, 2025
Assets				
Current assets				
Cash and deposits		31,807		25,675
Notes and accounts receivable - trade, and contract assets	*1	17,915	*1	18,301
Real estate for sale	*4	11,451	*4	8,602
Real estate for sale in process		9,643		7,951
Costs on construction contracts in progress		265		822
Other		9,367		8,276
Allowance for doubtful accounts		(64)		(53)
Total current assets		80,385		69,576
Non-current assets				
Property, plant and equipment				
Buildings and structures	*4	94,006	*4	101,474
Accumulated depreciation		(45,323)		(49,652)
Buildings and structures, net		48,682		51,821
Land	*4	42,646	*4	54,784
Construction in progress		18,850		42,002
Other		21,766		24,891
Accumulated depreciation		(16,643)		(18,525)
Other, net		5,123		6,365
Total property, plant and equipment		115,303		154,974
Intangible assets		4,487		4,801
Investments and other assets				
Investment securities	*3,*4	15,018	*3,*4	16,506
Long-term loans receivable		526		653
Guarantee deposits		18,893		18,476
Leasehold deposits		20,551		21,357
Deferred tax assets		3,525		2,415
Other	*4	12,026	*4	12,592
Allowance for doubtful accounts		(106)		(103)
Total investments and other assets		70,433		71,899
Total non-current assets		190,224		231,675
Deferred assets				
Bond issuance costs		311		218
Total deferred assets		311		218
Total assets		270,921		301,470

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,394	9,220
Short-term borrowings	*4 26,860	26,153
Current portion of bonds payable	4,880	4,680
Current portion of convertible-bond-type bonds with share acquisition rights	–	30,022
Income taxes payable	2,640	4,286
Provision for bonuses	2,928	3,686
Provision for bonuses for directors (and other officers)	486	715
Other	*2 23,936	*2 29,328
Total current liabilities	71,127	108,093
Non-current liabilities		
Bonds payable	13,700	9,020
Convertible-bond-type bonds with share acquisition rights	30,052	–
Long-term borrowings	*4 62,453	*4 78,749
Long-term guarantee deposits	3,305	3,722
Deferred tax liabilities	0	–
Retirement benefit liability	986	1,038
Provision for retirement benefits for directors (and other officers)	258	260
Provision for loss on withdrawal from business	1,160	140
Asset retirement obligations	499	499
Other	773	583
Total non-current liabilities	113,189	94,015
Total liabilities	184,317	202,109
Net assets		
Shareholders' equity		
Share capital	7,964	7,964
Capital surplus	12,920	13,016
Retained earnings	65,167	77,193
Treasury shares	(331)	(299)
Total shareholders' equity	85,721	97,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	675	894
Deferred gains or losses on hedges	692	1,107
Foreign currency translation adjustment	(601)	(596)
Remeasurements of defined benefit plans	117	79
Total accumulated other comprehensive income	882	1,485
Total net assets	86,604	99,360
Total liabilities and net assets	270,921	301,470

2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Net sales	*1 204,126	*1 228,933
Cost of sales	155,132	173,016
Gross profit	48,993	55,917
Selling, general and administrative expenses		
Salaries, allowances and bonuses	5,842	6,389
Welfare expenses	1,301	1,367
Provision for bonuses	1,009	1,215
Provision for bonuses for directors (and other officers)	486	715
Retirement benefit expenses	145	142
Provision for retirement benefits for directors (and other officers)	2	1
Promotion expenses	2,540	2,894
Outsourcing expenses	2,504	2,689
Rent expenses	519	520
Commission expenses	14,733	15,399
Depreciation	551	694
Other	*2 2,649	*2 3,395
Total selling, general and administrative expenses	32,285	35,426
Operating profit	16,708	20,491
Non-operating income		
Interest income	119	156
Dividend income	161	201
Share of profit of entities accounted for using equity method	5,025	1,331
Other	497	486
Total non-operating income	5,804	2,175
Non-operating expenses		
Interest expenses	672	743
Other	723	505
Total non-operating expenses	1,395	1,249
Ordinary profit	21,116	21,417

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Extraordinary losses		
Loss on disaster	218	278
Loss on withdrawal from business	1,137	–
Impairment losses	*3 2,015	*3 311
Other	675	29
Total extraordinary losses	4,047	619
Profit before income taxes	17,069	20,797
Income taxes - current	2,620	5,433
Income taxes - deferred	2,033	802
Total income taxes	4,654	6,235
Profit	12,414	14,562
Profit attributable to owners of parent	12,414	14,562

Consolidated statement of comprehensive income

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Profit	12,414	14,562
Other comprehensive income		
Valuation difference on available-for-sale securities	515	219
Deferred gains or losses on hedges	43	415
Foreign currency translation adjustment	(12)	(35)
Remeasurements of defined benefit plans, net of tax	80	(37)
Share of other comprehensive income of entities accounted for using equity method	–	41
Total other comprehensive income	* 626	* 602
Comprehensive income	13,041	15,164
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,041	15,164

3) Consolidated statement of changes in net assets
For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,964	12,862	53,845	(349)	74,322
Changes during period					
Dividends of surplus			(1,092)		(1,092)
Profit attributable to owners of parent			12,414		12,414
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		0	0
Restricted share-based remuneration		58		24	82
Net changes in items other than shareholders' equity					
Total changes during period	–	58	11,322	18	11,398
Balance at end of period	7,964	12,920	65,167	(331)	85,721

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	160	648	(589)	36	256	74,579
Changes during period						
Dividends of surplus						(1,092)
Profit attributable to owners of parent						12,414
Purchase of treasury shares						(5)
Disposal of treasury shares						0
Restricted share-based remuneration						82
Net changes in items other than shareholders' equity	515	43	(12)	80	626	626
Total changes during period	515	43	(12)	80	626	12,025
Balance at end of period	675	692	(601)	117	882	86,604

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,964	12,920	65,167	(331)	85,721
Changes during period					
Dividends of surplus			(2,536)		(2,536)
Profit attributable to owners of parent			14,562		14,562
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		0		0	0
Restricted share-based remuneration		95		35	131
Net changes in items other than shareholders' equity					
Total changes during period	–	96	12,025	31	12,153
Balance at end of period	7,964	13,016	77,193	(299)	97,875

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	675	692	(601)	117	882	86,604
Changes during period						
Dividends of surplus						(2,536)
Profit attributable to owners of parent						14,562
Purchase of treasury shares						(4)
Disposal of treasury shares						0
Restricted share-based remuneration						131
Net changes in items other than shareholders' equity	219	415	5	(37)	602	602
Total changes during period	219	415	5	(37)	602	12,756
Balance at end of period	894	1,107	(596)	79	1,485	99,360

4) Consolidated statement of cash flows

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	17,069	20,797
Depreciation	6,780	7,716
Amortization of long-term prepaid expenses	512	709
Amortization of guarantee deposits	391	413
Increase (decrease) in provision for bonuses	992	760
Interest and dividend income	(280)	(357)
Interest expenses	672	743
Share of loss (profit) of entities accounted for using equity method	(5,025)	(1,331)
Loss on withdrawal from business	1,137	–
Impairment losses	2,015	311
Loss on disaster	218	278
Decrease (increase) in trade receivables	(2,696)	(396)
Decrease (increase) in accounts receivable - other	432	(289)
Decrease (increase) in inventories	(3,079)	3,367
Increase (decrease) in trade payables	2,143	(172)
Increase (decrease) in accrued expenses	566	284
Increase (decrease) in advances received	409	1,046
Increase (decrease) in accounts payable - other	(897)	(310)
Increase (decrease) in accrued consumption taxes	999	144
Increase (decrease) in deposits received	517	(454)
Increase (decrease) in guarantee deposits received	322	493
Other, net	1,386	(562)
Subtotal	24,588	33,193
Interest and dividends received	171	467
Interest paid	(672)	(749)
Income taxes refund	1,051	0
Income taxes paid	(977)	(3,462)
Payments for loss on withdrawal from business	(78)	–
Net cash provided by (used in) operating activities	24,083	29,449

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Cash flows from investing activities		
Purchase of securities	(6,164)	(19)
Proceeds from sale of securities	6	–
Purchase of property, plant and equipment	(22,892)	(41,990)
Proceeds from sale of property, plant and equipment	–	157
Purchase of intangible assets	(652)	(1,086)
Purchase of long-term prepaid expenses	(555)	(803)
Loan advances	(284)	(904)
Proceeds from collection of loans receivable	224	1,570
Payments of leasehold and guarantee deposits	(1,742)	(1,181)
Proceeds from refund of leasehold and guarantee deposits	61	151
Purchase of insurance funds	(431)	(246)
Proceeds from cancellation of insurance funds	1,078	757
Other, net	(181)	(87)
Net cash provided by (used in) investing activities	(31,533)	(43,682)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	150
Proceeds from long-term borrowings	1,970	31,400
Repayments of long-term borrowings	(12,347)	(15,960)
Redemption of bonds	(4,881)	(4,881)
Purchase of treasury shares	(5)	(3)
Dividends paid	(1,089)	(2,530)
Other, net	(438)	22
Net cash provided by (used in) financing activities	(16,792)	8,195
Effect of exchange rate change on cash and cash equivalents	22	(45)
Net increase (decrease) in cash and cash equivalents	(24,219)	(6,082)
Cash and cash equivalents at beginning of period	55,651	31,431
Cash and cash equivalents at end of period	* 31,431	* 25,349

BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of KYORITSU MAINTENANCE CO., LTD. (the "Company") and its consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").
Current practice has been to retain the classification used in the financial statements.
Japanese yen figures less than one million yen are rounded down to the nearest million yen, except for per share data. The total Japanese yen amounts shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual amounts.

Notes to Consolidated Financial Statements

Notes - Significant accounting policies for preparation of consolidated financial statements

1. Consolidation

(1) Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries

Kyoritsu Estate Co., Ltd.
Kyoritsu Trust Co., Ltd.
Kyoritsu Insurance Service Co., Ltd.
Kyoritsu Foods Service Co., Ltd.
Kyoritsu Oasis Co., Ltd.
Kyoritsu Foods Management Co., Ltd.
Kyoritsu Solutions Co., Ltd.
Kyoritsu Financial Service Co., Ltd.
Builnet Co., Ltd.
Central Builwork Co., Ltd.
Kyoritsu Maintenance Korea Co., Ltd.

(2) Number of non-consolidated subsidiaries: 6

Names of non-consolidated subsidiaries

Kyoritsu Assist Co., Ltd.
Ryokan Okunobo Co., Ltd.
Kyoritsu Maintenance (Thailand) Co., Ltd.
Kyoritsu Maintenance Sriracha Co., Ltd.
Kyoritsu Foods Co., Inc.
Kyoritsu Refre forum Co., Ltd.

Reason for exclusion from scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation because their total assets, net sales, profit or loss, and retained earnings have minimal impact on the consolidated financial statements and are immaterial as a whole, do not have material effects on the consolidated financial statements.

2. Equity method accounting

(1) Non-consolidated subsidiaries and associates accounted for by the equity method

Number of non-consolidated subsidiaries accounted for by the equity method: None
Number of affiliates accounted for by the equity method: 1
Name of the equity method affiliate

COSMOS INITIA Co., Ltd.

COSMOS INITIA Co., Ltd. is included in affiliated companies accounted for by the equity method from the year ended March 31, 2024.

(2) Non-consolidated subsidiaries or associates not accounted for by the equity method

Non-consolidated subsidiaries and affiliates not accounted for by the equity method are Ohshima Forum Co., Ltd. and seven other companies. These companies are excluded from the scope of equity method because their profit or loss and retained earnings have minimal impact on the consolidated financial statements and are immaterial as a whole.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

The fiscal year-end of all consolidated subsidiaries coincides with the consolidated fiscal year-end.

4. Disclosure of accounting policies

(1) Valuation criteria and methods for significant assets

1) Securities

(i) Held-to-maturity bonds

Measured at amortized cost using the straight-line method.

(ii) Other securities

Other than equity securities without market prices

Measured at fair value (net unrealized gains or losses are reported as a separate component of net assets, and the cost of securities sold is calculated using the moving-average method).

Equity securities without market prices

Mainly measured at cost determined by the moving-average method.

Investments in investment limited partnerships and other similar partnerships (those regarded as securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are recorded at the net amount of the Company's share of equity based on the latest financial statements available according to the financial reporting dates stipulated in the partnership agreements.

2) Derivatives

Derivatives are measured at fair value.

3) Inventories

(i) Costs on construction contracts in progress

Stated at cost determined by the specific identification method.

(ii) Real estate for sale and real estate for sale in process

Stated at the lower of cost, determined by the specific identification method, or net realizable value.

(iii) Merchandise and finished goods, and raw materials and supplies

Stated at the lower of cost, determined by the last purchase price method, or net realizable value.

(2) Method of depreciation and amortization of major depreciable and amortizable assets

1) Property, Plant and Equipment (except for Leased Assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is calculated using the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings (except for facilities attached to buildings that belong to businesses other than the resort business) and facilities attached to buildings and structures acquired on or after April 1, 2016.

Depreciation of property, plant and equipment of foreign consolidated subsidiaries is calculated using the straight-line method.

The useful lives of major items are as follows:

Buildings and structures 3 to 47 years

2) Intangible Assets (except for Leased Assets)
Intangible assets are amortized using the straight-line method.
Software for internal use is amortized using the straight-line method over the expected useful life (five years).

3) Leased Assets
Leased assets are depreciated by the straight-line method based on the assumption that the useful lives are equal to the lease terms and the residual value is equal to zero.
Finance lease transactions that did not transfer the ownership of the leased assets to the lessee and commenced on or before March 31, 2008 are accounted for as operating lease transactions.

(3) Method of accounting for deferred assets
Bond issuance costs
Amortized using the straight-line method over the period up to the redemption of the bonds.

(4) Accounting for significant allowances and provisions
1) Allowance for Doubtful Accounts
Allowance for doubtful accounts is provided for possible losses arising from trade receivables, loans receivable, and other receivables at an amount determined based on the historical experience of bad debts with respect to normal receivables, and an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are facing financial difficulties.

2) Provision for Bonuses
Employees' bonuses are accrued at the end of the year to which such bonuses are attributable.

3) Provision for Bonuses for Directors (and Other Officers)
Directors' bonuses are accrued at the end of the year based on the estimated amounts payable.

4) Provision for Retirement Benefits for Directors (and Other Officers)
Retirement benefits for directors are recorded at an amount required to be paid at the end of the year based on internal rules.
The Company and its six domestic consolidated subsidiaries revised the rules on retirement benefits for directors in March 2002 and June 2008, respectively, and have not provided the corresponding amount for directors since April 2001 and July 2008, respectively.

5) Provision for Loss on Withdrawal from Business
To provide for losses on withdrawals from businesses, the amounts expected to be incurred in the future are recorded.

(5) Method of recognizing retirement benefits
1) Method of attributing estimated retirement benefits to periods
Retirement benefit obligations are attributed to periods on a benefit formula basis.

2) Method of amortizing actuarial gains or losses and past service cost
Prior service cost is amortized as incurred by the straight-line method over a fixed period (three or five years), which is shorter than the average remaining years of service of the employees.
Actuarial differences are amortized from the year following the year in which the differences are recognized by the straight-line method over a fixed period (three or five years), which is shorter than the average remaining years of service of the employees.

(6) Recognition of significant revenues and expenses

The Group's principal businesses are the Dormitory Business, the Hotel Business, the Comprehensive Building Management Business, the Food Service Business, and the Development Business.

Dormitory Business

The Dormitory Business includes the operation and management of student dormitories, employee dormitories, Domeal, and contracted dormitories, and provision of rooms and dormitory services based on occupancy contracts with customers. The Group recognizes rent, management fees, occupation fees, renewal fees, etc. under such occupancy contracts as revenue in accordance with accounting standards for leases. For dormitory services, the Group's performance obligation is satisfied when the rendering of the services is completed and therefore revenue is recognized at that point in time. The Group also sells everyday goods to residents. Because the performance obligation is satisfied when the ownership of the goods is transferred to the customer, revenue is recognized at that point in time. The transaction price and payment terms for the sale of everyday goods to residents are determined by the sales contracts with the residents.

Hotel Business

In the Hotel Business, the Company operates The Dormy Inn (limited-service hotel) and resorts (resort hotel) businesses, providing customers with lodging, meals, and other services. Since customers receive the benefit of the entire service related to the lodging, the entire service including meals is a single performance obligation, which is satisfied at the point in time when the rendering of the entire service is completed. For customers who stay consecutive nights, the Group recognizes revenue as if the performance obligation is satisfied on a nightly basis since the customers receive the benefit of each night. The Group determines the transaction price and agrees with the customer upon the accommodation reservation. Payment is usually accepted upon check-in or check-out.

Comprehensive Building Management Business

In the Comprehensive Building Management Business, the Group is engaged mainly in building management services including facility management, cleaning, security, and repair of dormitories, hotel facilities, and office buildings. These operations are considered to have a single performance obligation to provide services to organize the occupancy environment of buildings at the appropriate time based on a plan and to maintain the property in a consistent condition. As these performance obligations are satisfied over the contract period, the Company recognizes revenue by prorating the transaction price on a monthly basis based on the contract with the customer. The transaction price and its payment terms are determined by the outsourcing contract.

Food Service Business

In the Food Service Business, the Group is mainly engaged in contracted operation such as of hotel restaurants, contracted food service, and restaurant business. In the businesses of contracted operation such as of hotel restaurants and contracted food service, the Group mainly contracts to provide services incidental to the Company's Hotel and Dormitory Businesses. Because the performance obligation is satisfied when the rendering of the services is completed, revenue is recognized at that point in time. Transaction price and payment terms are determined by contract. In the restaurant business, the Group provides meal services to customers, and the performance obligation is satisfied when the rendering of the services is completed so the Group recognizes revenue at that point in time. The transaction price is determined by the Group and agreed with the customer upon a meal order. Payment is usually received at the time the customer leaves the venue.

Development Business

In the Development Business, the Company is engaged in real estate planning, design, construction, brokerage business, the condominium business, the real estate sale and leaseback business, etc. In the construction business, the Group performs construction work based on construction contracts with customers. Under such construction contracts, the value of the property increases and the customer takes control of the asset as the Group proceeds with the construction of the main body of the property. The performance obligation is an obligation that is satisfied over a specified period of time, and is satisfied as the construction progresses over the contract period. Therefore, in construction projects, etc., revenue is recognized in accordance with the progress of construction. Progress is measured by the input method based on cost incurred, as the cost incurred is considered to contribute to, and be generally proportional to, the entity's progress in meeting its performance obligations. However, for projects for which the degree of progress cannot be reasonably measured, the cost recovery basis is applied until such time as this becomes possible. For other businesses, the performance obligation is satisfied when the rendering or delivery of the services is completed, and revenue is recognized at that point in time. The transaction price and its payment terms are determined by contract.

With regard to the above performance obligations, no material financial element is included in the amount of consideration. There are no material variable considerations that could change the amount of consideration. In recognizing revenue, the Company uses alternative treatments of materiality, etc.

(7) Foreign currency transactions

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate as of the balance sheet date, and revenue and expense accounts are translated into Japanese yen at the average exchange rate. Differences arising from such translation are shown as foreign currency translation adjustment under accumulated other comprehensive income as a separate component of net assets.

(8) Significant hedge accounting methods

1) Hedge accounting

The deferral hedge accounting is applied. However, exceptional method is applied to interest rate swaps that satisfy the requirements for hedge accounting.

2) Hedging instruments and hedged items

Interest rate swaps are used as hedging instruments for interest on borrowings.

3) Hedging policies

The Company has a policy of hedging against the risk of future market fluctuations in interest rates and does not engage in speculative transactions or derivative transactions for the purpose of earning short-term trading profits or losses.

4) Assessing hedge effectiveness

The Company verifies that the variability rate of the hedged item and the hedging instrument is basically in the range of 80% to 125%. However, if the hedge meets the requirements of exceptional method of interest rate swaps, assessment of hedge effectiveness has been omitted and replaced with the judgment thereof.

5) Other matters

The Group uses interest rate swaps to hedge against interest rate fluctuation risk on borrowings in accordance with the financing plan approved by the Board of Directors.

(9) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, readily available deposits, and short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

(10) Other key matters for the preparation of consolidated financial statements

There were no items to be reported.

Notes - Significant accounting estimates

1. Impairment of non-current assets (Hotel Business)

(1) Amount recorded in the consolidated financial statements for the year ended March 31, 2025

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Impairment losses relating to the Hotel Business	1,726	223
Property, plant and equipment relating to the Hotel Business	73,533	111,992
Intangible assets relating to the Hotel Business	1,658	2,195

(2) Other information for understanding of users of consolidated financial statements

1) Calculation method

The Group classifies assets into asset groups mainly by business location, and of the asset groups for which it determines that there are indications of impairment, if the total amount of the undiscounted future cash flows is less than the carrying amount, then the carrying amount of the asset group is written down to the recoverable amount and the difference is recognized as an extraordinary loss on the consolidated statement of income for the year ended March 31, 2025, in accordance with the accounting standards for the impairment of non-current assets.

The recoverable amount is measured at higher of net realizable value of the asset groups or their value in use. Net realizable value is determined based on information such as real estate appraisal value, and value in use is determined by discounting future cash flows at rates based on profit plans.

2) Key assumptions

The key assumptions used in the calculation of the recoverable amount of each asset group are average daily rates, occupancy rates, and discount rates. The average daily rates, occupancy rates, and discount rate are reasonably set based on the information and materials available as of March 31, 2025.

3) Impact on next year's consolidated financial statements

There is a high degree of uncertainty in estimating the key assumptions, namely, average daily rates, occupancy rates, and discount rate for each asset group. If it becomes necessary to revise these assumptions due to changes in future economic or financial conditions, it may affect the impairment losses on non-current assets for the next year.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the year ended March 31, 2025

(Millions of yen)

	For the year ended March 31, 2024	For the year ended March 31, 2025
Deferred tax assets, net	3,525	2,415
(The amount before offset with deferred tax liabilities)	3,525	4,004

(2) Other information for understanding of users of consolidated financial statements

1) Calculation method

The Group determines the recoverability of deferred tax assets on deductible temporary differences and tax loss carryforwards in consideration of estimated future taxable income based on future business plans and other factors.

2) Key assumptions

The key assumptions underlying the profit plan, which serve as the basis for estimated taxable income, are the average daily rates and occupancy rates of each business location in the Hotel Business. These assumptions are reasonably established based on the information and materials available as of March 31, 2025.

3) Impact on next year's consolidated financial statements
There is a high degree of uncertainty surrounding the key assumptions, namely, the resulting average daily rates and occupancy rates of each business location in the Hotel Business. If it becomes necessary to revise these assumptions due to changes in economic or financial conditions, the estimated amount of taxable income may change, which may have a significant impact on the judgment of the recoverability of deferred tax assets.

Notes - Changes in accounting policies

Application of the "Accounting Standard for Current Income Taxes," Etc.
The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the year ended March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). This does not impact the consolidated financial statements.

In addition, for changes related to the revised treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the year ended March 31, 2025. This change in accounting policies has been applied retrospectively, and is reflected in the consolidated financial statements for the year ended March 31, 2024.

This does not impact the consolidated financial statements for the year ended March 31, 2024.

Notes - Accounting standards issued but not yet effective

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024, ASBJ)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024, ASBJ), Etc.

(1) Overview
As part of its efforts for ensuring that Japanese GAAP is consistent with international accounting standards, the ASBJ conducted a review, taking into consideration international accounting standards, toward the development of the Accounting Standard for Leases for recognizing assets and liabilities for all leases held by a lessee. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., which were developed under a basic policy with the aim of being simple and highly convenient by incorporating only the key provisions of IFRS 16 instead of all the provisions, despite being based on the single accounting model of IFRS 16, while also making revisions basically unnecessary even when the provisions of IFRS 16 are applied for non-consolidated financial statements.

Regarding the method for allocating the lessee's lease expenses in the lessee's accounting treatment, a single accounting model is applied for recording the depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities for all leases regardless of whether a lease is a finance lease or an operating lease. This is the same as under IFRS 16.

(2) Scheduled date of application
The Company and its domestic consolidated subsidiaries will apply the accounting standards and implementation guidance from the beginning of the year ending March 31, 2028.

(3) Impact of application of accounting standards and implementation guidance
The impact from the application of the "Accounting Standard for Leases," etc. on the consolidated financial statements is currently under evaluation.

Notes - Changes in presentation

<u>Consolidated statement of income</u>
“Commission expenses,” which was presented separately under non-operating expenses for the year ended March 31, 2024, is included and presented in “Other” under non-operating expenses for the year ended March 31, 2025, as the amount became immaterial.

“Loss on valuation of shares of subsidiaries,” which was presented separately under extraordinary losses for the year ended March 31, 2024, is included and presented in “Other” under extraordinary losses for the year ended March 31, 2025, as the amount became immaterial.

“Loss from natural disasters,” which was included in “Other” under extraordinary losses for the year ended March 31, 2024, is presented separately for the year ended March 31, 2025, as the amount became material.

The relevant items in the consolidated financial statements for the year ended March 31, 2024 have been reclassified in order to reflect these changes.

As a result, 482 million yen that was shown as “Commission expenses” and 240 million yen that was shown as “Other” under non-operating expenses in the original consolidated statement of income for the year ended March 31, 2024 are reclassified into 723 million yen shown as “Other.” In addition, 441 million yen that was shown as “Loss on valuation of shares of subsidiaries” and 453 million yen that was shown as “Other” under extraordinary losses are reclassified into 218 million yen shown as “Loss from natural disasters” and 675 million yen shown as “Other.”

<u>Consolidated statement of cash flows</u>
“Commission expenses,” which was presented separately under “Cash flows from operating activities” for the year ended March 31, 2024, is included in “Other” under “Cash flows from operating activities” for the year ended March 31, 2025, as the amount became immaterial.

“Loss on valuation of shares of subsidiaries,” which was presented separately under “Cash flows from operating activities” for the year ended March 31, 2024, is included in “Other” under “Cash flows from operating activities” for the year ended March 31, 2025, as the amount became immaterial.

“Loss from natural disasters,” which was included in “Other” under “Cash flows from operating activities” for the year ended March 31, 2024, is presented separately for the year ended March 31, 2025, as the amount became material.

“Payments of commission for syndicated loans,” which was presented separately under “Cash flows from financing activities” for the year ended March 31, 2024, is included in “Other” under “Cash flows from financing activities” for the year ended March 31, 2025, as the amount became immaterial.

The relevant items in the consolidated financial statements for the year ended March 31, 2024 have been reclassified in order to reflect these changes.

As a result, in the “Cash flows from operating activities” for the fiscal year ended March 31, 2024, “Commission expenses” of 482 million yen, “Loss on valuation of shares of subsidiaries” of 441 million yen and “Other” of 681 million yen were reclassified as “Loss from natural disasters” of 218 million yen and “Other” of 1,386 million yen; and in the “Cash flows from financing activities,” “Payments of commission for syndicated loans” of negative 428 million yen, “Redemption of bonds” of 4,480 million yen and “Other” of negative 12 million yen were reclassified as “Redemption of bonds” of 4,881 million yen and “Other” of negative 438 million yen.

Notes - Consolidated balance sheet

*1 Of the amount of "Notes and accounts receivable - trade, and contract assets," the amounts of receivables arising from contracts with customers and contract assets are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable - trade	–	–
Accounts receivable - trade	13,698	14,661
Contract assets	758	460

*2 Of the amount of "Other" under current liabilities, the amount of contract liabilities is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Contract liabilities	703	436

*3 Investment securities in non-consolidated subsidiaries and associates were as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Investment securities (equity securities)	11,486	12,625

*4 Assets pledged as collateral and obligations secured by collateral

Assets pledged as collateral were as follows:

(Millions of yen)

	As of March 31, 2024		As of March 31, 2025	
Buildings and structures	2,403	[1,835]	2,282	[1,760]
Real estate for sale	4,731	[–]	1,008	[–]
Land	4,499	[2,324]	4,499	[2,324]
Investment securities (Note 2)	20	[–]	20	[–]
Other under investments and other assets (Note 2)	15	[–]	15	[–]
Total	11,669	[4,159]	7,825	[4,084]

Notes: 1. Figures in parentheses represent the book value of assets pledged as collateral.
2. These assets were pledged as collateral for guarantee deposits of the building lots and buildings transaction business.

The above assets were pledged as collateral for the following liabilities:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Long-term borrowings	10,430	7,830
[Of which, current-portion]	[3,300]	[–]
Total	10,430	7,830

5 Guarantee obligations

The Company provides guarantee obligations as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Guarantee of dormitory/hotel lessor's obligations to financial institutions based on the deposit agreement for guarantee deposits	2,770	2,573
Other	88	–
Total	2,858	2,573

Notes - Consolidated statement of income

*1 Revenue from contracts with customers

Net sales are not presented with revenue from contracts with customers separated from other revenues. The amount of revenue from contracts with customers has been provided in "Notes to Consolidated Financial Statements, Notes - Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers."

*2 Research and development costs included in general and administrative expenses were as follows:

(Millions of yen)

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
391	461

*3 Impairment losses

The Group recognized impairment losses on the following asset groups:

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

Location	Usage	Asset category	Impairment losses
KYORITSU MAINTENANCE CO., LTD. Hotels (Yuzawa-shi, Akita, Japan and 8 other offices)	Hotels	Buildings, etc.	1,726
KYORITSU MAINTENANCE CO., LTD. Dormitories (Osaka-shi, Osaka, Japan and 42 other offices)	Dormitories	Buildings, etc.	211
KYORITSU MAINTENANCE CO., LTD. Restaurants (Minato-ku, Tokyo, Japan and 1 other office)	Restaurants	Buildings, etc.	77
Kyoritsu Oasis Co., Ltd. Restaurant (Nakano-ku, Tokyo, Japan)	Restaurants	Buildings, etc.	0

The Group mainly considers each of its offices as a separate asset group. In addition, idle assets with no prospect for future use are treated as a separate group of assets. With respect to the above hotels, dormitories, and restaurants, since there is little prospect for recovery of the invested capital due to a significant decline in profitability and fair value, the Group wrote down the book values of these assets to their recoverable amounts and recorded impairment losses in extraordinary losses in the amount of 2,015 million yen.

The breakdown of impairment losses was buildings of 1,582 million yen, structures of 119 million yen, fixtures of 9 million yen, land of 299 million yen, and right to use facilities of 5 million yen.

The recoverable amounts of buildings are measured at their net realizable value based on their appraisal value made by real estate appraisers, or their value in use, which is calculated by discounting future cash flows at 4.3%.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

Location	Usage	Asset category	Impairment losses
KYORITSU MAINTENANCE CO., LTD. Hotel (Nasushiobara-shi, Tochigi, Japan)	Hotels	Buildings, etc.	223
KYORITSU MAINTENANCE CO., LTD. Dormitories (Edogawa-ku, Tokyo, Japan and 6 other offices)	Dormitories	Buildings, etc.	41
KYORITSU MAINTENANCE CO., LTD. Restaurant (Taito-ku, Tokyo, Japan)	Restaurants	Buildings, etc.	45
Kyoritsu Foods Service Co., Ltd. Restaurant (Chiyoda-ku, Tokyo, Japan)	Restaurants	Buildings, etc.	0

The Group mainly considers each of its offices as a separate asset group. In addition, idle assets with no prospect for future use are treated as a separate group of assets. With respect to the above hotels, dormitories, and restaurants, since there is little prospect for recovery of the invested capital due to a significant decline in profitability and fair value, the Group wrote down the book values of these assets to their recoverable amounts and recorded impairment losses in extraordinary losses in the amount of 311 million yen.

The breakdown of impairment losses was buildings of 250 million yen, structures of 25 million yen, fixtures of 6 million yen, land of 28 million yen, and software of 0 million yen.

The recoverable amounts of buildings are measured at their net realizable value based on their appraisal value made by real estate appraisers, or their value in use, which is calculated by discounting future cash flows at 4.2%.

Notes - Consolidated statement of comprehensive income

* Reclassification adjustments to profit or loss, income taxes, and tax effects related to other comprehensive income

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	742	333
Reclassification adjustments to profit or loss	–	–
Amount before income taxes and tax effect	742	333
Income taxes and tax effect	(227)	(113)
Valuation difference on available-for-sale securities	515	219
Deferred gains or losses on hedges:		
Gains (losses) arising during the year	63	619
Reclassification adjustments to profit or loss	–	–
Amount before income taxes and tax effect	63	619
Income taxes and tax effect	(19)	(204)
Adjustments to deferred gains or losses on hedges	43	415
Foreign currency translation adjustment:		
Gains (losses) arising during the year	(12)	(35)
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) arising during the year	128	(18)
Reclassification adjustments to profit or loss	(12)	(34)
Amount before income taxes and tax effect	116	(52)
Income taxes and tax effect	(35)	15
Remeasurements of defined benefit plans, net of tax	80	(37)
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) arising during the year	–	41
Total other comprehensive income	626	602

Notes - Consolidated statement of changes in net assets

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Class and number of shares issued and treasury shares

(Thousands of shares)

	April 1, 2023	Increase	Decrease	March 31, 2024
Shares issued				
Common shares	39,219	–	–	39,219
Total	39,219	–	–	39,219
Treasury shares				
Common shares (Notes 1, 2)	219	0	15	205
Total	219	0	15	205

Notes: 1. The increase in treasury shares of 0 thousand shares was due to the purchase of shares of less than one unit.

2. The decrease in treasury shares of 15 thousand shares was 0 thousand shares due to requests for the purchase of additional shares of less than one unit and disposal of treasury shares of 15 thousand shares under the restricted share-based remuneration plan.

2. Information on share acquisition rights

Classification	Description	Class of shares	Number of shares (Thousands of shares)				Year-end balance (Millions of yen)
			April 1, 2023	Increase	Decrease	March 31, 2024	
Reporting company	2021 Share Acquisition Rights (Note)	Common shares	6,365	–	–	6,365	–
Total		–	6,365	–	–	6,365	–

Note: The share acquisition rights in the above table are share acquisition rights attached to convertible-bond-type bonds with share acquisition rights recorded in liabilities using the lump-sum method.

3. Information on dividends

(1) Dividends paid

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 28, 2023	Common shares	468	12	March 31, 2023	June 29, 2023
Board of Directors' meeting held on November 9, 2023	Common shares	624	16	September 30, 2023	December 5, 2023

(2) Dividends whose effective date falls after the end of the year

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2024	Common shares	1,287	Retained earnings	33	March 31, 2024	June 27, 2024

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

1. Class and number of shares issued and treasury shares

(Thousands of shares)

	April 1, 2024	Increase	Decrease	March 31, 2025
Shares issued				
Common shares (Notes 1, 2)	39,219	39,219	–	78,439
Total	39,219	39,219	–	78,439
Treasury shares				
Common shares (Notes 1, 3, 4)	205	206	44	368
Total	205	206	44	368

Notes: 1. On April 1, 2024, the Company conducted a two-for-one stock split on common stock.
2. The increase in common shares of 39,219 thousand shares was due to a stock split.
3. The increase in treasury shares of 206 thousand shares was an increase of 205 thousand shares due to a stock split and an increase of 1 thousand shares due to the purchase of shares of less than one unit.
4. The decrease in treasury shares of 44 thousand shares was 0 thousand shares due to requests for the purchase of additional shares of less than one unit and disposal of treasury shares of 43 thousand shares under the restricted share-based remuneration plan.

2. Information on share acquisition rights

Classification	Description	Class of shares	Number of shares (Thousands of shares)				Year-end balance (Millions of yen)
			April 1, 2024	Increase	Decrease	March 31, 2025	
Reporting company	2021 Share Acquisition Rights (Notes 1, 2, 3)	Common shares	6,365	6,373	–	12,738	–
Total		–	6,365	6,373	–	12,738	–

Notes: 1. On April 1, 2024, the Company conducted a two-for-one stock split on common stock.
2. The increase for the year ended March 31, 2025 is due to a stock split and the adjustment of the conversion price in accordance with the conversion price adjustment clause.
3. The share acquisition rights in the above table are share acquisition rights attached to convertible-bond-type bonds with share acquisition rights recorded in liabilities using the lump-sum method.

3. Information on dividends

(1) Dividends paid

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2024	Common shares	1,287	33	March 31, 2024	June 27, 2024
Board of Directors' meeting held on November 8, 2024	Common shares	1,249	16	September 30, 2024	December 5, 2024

(2) Dividends whose effective date falls after the end of the year

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2025	Common shares	1,717	Retained earnings	22	March 31, 2025	June 27, 2025

The Companies Act of Japan provides that an amount equal to at least 10 percent of distributions paid in cash be appropriated as a legal reserve until the aggregated amount of the legal capital surplus and the legal retained earnings equals 25 percent of share capital.
The portion of such aggregated amount in excess of 25 percent of share capital may become available for distributions subsequent to release of such excess to capital surplus and retained earnings.

Notes - Consolidated statement of cash flows

* Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Cash and deposits	31,807	25,675
Time deposits with maturity over three months	(376)	(326)
Cash and cash equivalents	31,431	25,349

Notes - Leases

1. Finance lease transactions
   (As Lessee)
   Finance lease transactions that do not transfer ownership
   1) Details of leased assets
      Property, plant and equipment
      Buildings and structures in the Dormitory Business.

   2) Method of depreciation of leased assets
      As described in "Significant accounting policies for preparation of consolidated financial statements, 4. Disclosure of accounting policies, (2) Method of depreciation and amortization of major depreciable and amortizable assets."

      Of finance lease transactions that do not transfer the ownership, lease transactions that commenced on or before March 31, 2008 are accounted for as operating lease transactions. The details are as follows.

(1) Acquisition cost, accumulated depreciation, and net book value of leased property

(Millions of yen)

	As of March 31, 2024		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	8,010	6,090	1,920
Total	8,010	6,090	1,920

(Millions of yen)

	As of March 31, 2025		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	8,010	6,403	1,607
Total	8,010	6,403	1,607

Note: Acquisition cost is calculated inclusive of interest expenses because the ratio of the year-end balance of future minimum lease payments to the year-end balance of property, plant and equipment was low.

(2) Future minimum lease payments as of March 31, 2024 and 2025 were as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Future minimum lease payments		
Due within one year	312	297
Due in more than one year	1,607	1,310
Total	1,920	1,607

Note: Future minimum lease payments are calculated inclusive of interest expenses because the ratio of the year-end balance of future minimum lease payments to the year-end balance of property, plant and equipment was low.

(3) Lease payments and depreciation

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Lease payments	312	312
Depreciation	312	312

(4) Method of calculating depreciation equivalent

Depreciation is calculated using the straight-line method based on the assumption that the useful lives of the leased assets are equal to the lease term and the residual value is equal to zero.

(Impairment losses)

There were no impairment losses allocated to leased assets.

2. Operating leases

Future minimum lease payments/receipts under non-cancelable operating leases

(As Lessee)

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Due within one year	12,550	12,533
Due in more than one year	119,095	110,637
Total	131,645	123,170

(As Lessor)

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Due within one year	890	892
Due in more than one year	1,488	1,503
Total	2,379	2,396

Note: The future minimum lease receipts in the above table were related to lease agreements of the Dormitory Business, etc.

Notes - Financial instruments

1. Matters concerning the status of financial instruments

(1) Group policy for financial instruments

The Group raises required funds mainly through the issuance of corporate bonds and bank borrowings based on its capital investment plan, and short-term working capital through bank borrowings. Temporary surplus funds, if any, are invested in highly secure financial assets. In addition to using derivatives to avoid risks as described below, the Group enters into hybrid financial instrument transactions with embedded derivatives for the purpose of managing surplus funds. As for such hybrid financial instrument transactions, the Group uses only those that are judged to be highly secure based on the assessment of their characteristics.

Regarding interest rate-related derivatives, interest rate swap transactions are currently used to convert variable interest rates of borrowings into fixed interest rates. In the case where interest rate conditions change, while interest rate swap transactions to convert fixed interest rates into variable interest rates may be used, the Group intends to use them only for long-term monetary receivables and payables with fixed interest rates to the extent of achieving the purpose of adjusting to prevailing market interest rates.

(2) Nature and extent of risks arising from financial instruments

Trade receivables, such as notes and accounts receivable - trade, are exposed to customer credit risk. In addition, securities and investment securities, which consist of held-to-maturity debt securities, equity securities of other companies held for the purpose of strengthening business relationships with the Group, and securities for pure investment purposes, are exposed to the risk of market price fluctuations. While some of them take the form of hybrid financial instruments, which are exposed to the risks of fluctuation in stock prices and foreign currency exchange rates, etc. as well as the credit risk of issuers, the Group does not conduct high-risk transactions based primarily on its policy to guarantee the principal amount. Guarantee and leasehold deposits are pledged in relation to lease agreements. Although they are exposed to debtor credit risk, they shall, in principle, be returned in a lump sum at the termination of the agreements.

Payment terms of most trade payables, such as notes and accounts payable - trade, are within one month. As for liabilities such as borrowings and bonds payable, short-term borrowings are primarily for raising funds for operating transactions, while long-term borrowings, bonds payable, and convertible-bond-type bonds with share acquisition rights are primarily for raising funds for capital investments. Some of them are exposed to the risk of interest rate fluctuations. Guarantee deposits received, which are taken as deposits concerning lease agreements, shall be returned in a lump sum at the termination of the agreements. These obligations are exposed to liquidity risk.

Derivative transactions are primarily interest rate swaps to hedge fluctuations in the interest rates of borrowings and bonds payable, and are exposed to the risk of fluctuation in interest rates and counterparty risk. Information on hedging instruments and hedged items, hedging policy, and assessment of hedge effectiveness is included in “Significant hedge accounting methods” in the “Disclosure of accounting policies.”

(3) Risk management for financial instruments

1) Credit risk management

As for trade receivables and long-term loans receivable, each responsible department of the Company monitors the financial positions of major counterparties as necessary, and controls the balances and maturity dates of receivables of each client so as to detect and mitigate any concerns about collectability as early as possible, based on its internal rules. The Company’s consolidated subsidiaries manage their receivables in the same manner as the Company in accordance with the Company’s internal rules.

Held-to-maturity debt securities consist solely of highly rated debt securities such as government bonds, and therefore their credit risk is minimal.

The Group enters into derivative transactions to mitigate counterparty risk only with domestic financial institutions with a sound credit profile.

2) Market risk management

The Company uses interest rate swaps as hedging instruments on each loan contract to hedge the fluctuation in interest rates of borrowings. As for the risk of fluctuation in interest rates, the Company monitors the market interest rates on a regular basis.

As for securities and investment securities, the Company monitors fair values, stock prices, foreign currency exchange rates, and financial positions of issuers on a regular basis. In addition, as for securities other than held-to maturity debt securities, the Company continuously reviews its portfolio taking into account its relationship with counterparties.

As for derivative transactions, the Company requires authorization procedures based on its administrative authority rules such as the board of directors' meetings, and the Corporate Planning Department manages the balances and maturity dates of derivative transactions. The Company's consolidated subsidiaries manage their derivative transactions in the same manner as the Company in accordance with the Company's rules.

3) Management of liquidity risk related to fund-raising

The Company manages liquidity risk by maintaining one month's worth of net sales as liquidity on hand, as well as having the Corporate Planning Department prepare and update funding plans on a timely basis based on reports from each department.

(4) Supplementary explanation on fair value of financial instruments

The fair values of financial instruments are based on market prices in active markets. If a market price is not available, another rational valuation technique is used instead. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

2. Fair value of financial instruments

Book values and fair values of financial instruments, and the difference between the two as of March 31, 2024 and 2025 were as follows.

As of March 31, 2024

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities	14,225	11,112	(3,113)
(2) Guarantee deposits	13,326	12,589	(736)
(3) Leasehold deposits	20,551	14,003	(6,547)
Total assets	48,102	37,705	(10,397)
(1) Short-term borrowings	11,600	11,600	0
(2) Short-term guarantee deposits received	551	551	–
(3) Current portion of bonds payable and bonds payable	18,580	18,637	57
(4) Convertible-bond-type bonds with share acquisition rights	30,052	44,369	14,317
(5) Current portion of long-term borrowings and long-term borrowings	77,713	77,932	218
(6) Long-term guarantee deposits	2,500	2,477	(23)
Total liabilities	140,998	155,569	14,570
Derivatives	998	998	–

As of March 31, 2025

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities	15,727	12,818	(2,908)
(2) Guarantee deposits	13,276	12,411	(865)
(3) Leasehold deposits	21,357	13,697	(7,659)
Total assets	50,361	38,927	(11,434)
(1) Short-term borrowings	11,750	11,748	(1)
(2) Short-term guarantee deposits received	570	570	–
(3) Current portion of bonds payable and bonds payable	13,700	13,573	(126)
(4) Current portion of convertible-bond-type bonds with share acquisition rights	30,022	39,816	9,793
(5) Current portion of long-term borrowings and long-term borrowings	93,153	92,655	(497)
(6) Long-term guarantee deposits	2,746	2,665	(81)
Total liabilities	151,943	161,030	9,087
Derivatives	1,617	1,617	–

(*1) The note on cash is omitted. Information on deposits, notes and accounts receivable - trade, and notes and accounts payable - trade is omitted, because these items are settled in a short period and therefore their fair values approximate the book values.

(*2) Investment securities include listed affiliates accounted for by the equity method, and the main difference is due to the market values of these shares.

(*3) Equity securities without market prices are not included in “Investment securities.” The amounts of these financial instruments recorded in the consolidated balance sheet are as follows:

(Millions of yen)

Classification	As of March 31, 2024	As of March 31, 2025
Investments in non-consolidated subsidiaries and affiliates	326	296
Unlisted equity securities	143	140
Investments in silent partnerships	322	342

Note: 1. Maturity analysis for monetary receivables and securities with contractual maturities

As of March 31, 2024

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits				
Deposits	31,528	–	–	–
Notes and accounts receivable - trade	17,156	–	–	–
Investment securities				
Held-to-maturity debt securities				
Government and municipal bonds	–	–	20	–
Other securities with contractual maturities				
(1) Debt securities (Other)	–	–	–	1,200
(2) Other	–	–	–	–
Guarantee deposits	1,217	2,593	1,089	8,426
Leasehold deposits	897	3,253	2,465	13,935
Total	50,800	5,846	3,575	23,561

As of March 31, 2025

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits				
Deposits	25,552	–	–	–
Notes and accounts receivable - trade	17,841	–	–	–
Investment securities				
Held-to-maturity debt securities				
Government and municipal bonds	–	–	20	–
Other securities with contractual maturities				
(1) Debt securities (Other)	–	–	–	1,200
(2) Other	–	–	–	–
Guarantee deposits	1,512	2,342	1,189	8,233
Leasehold deposits	1,491	3,206	2,752	13,905
Total	46,398	5,549	3,961	23,338

Note: 2. Maturity analysis for bonds payable, long-term borrowings, and other interest-bearing liabilities

As of March 31, 2024

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	11,600	–	–	–	–	–
Bonds payable	4,880	4,680	4,680	3,080	1,260	–
Convertible-bond-type bonds with share acquisition rights	–	30,000	–	–	–	–
Long-term borrowings	15,260	11,403	11,069	10,630	10,630	18,720
Total	31,740	46,083	15,749	13,710	11,890	18,720

As of March 31, 2025

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	11,750	–	–	–	–	–
Bonds payable	4,680	4,680	3,080	1,260	–	–
Convertible-bond-type bonds with share acquisition rights	30,000	–	–	–	–	–
Long-term borrowings	14,403	14,769	13,630	13,630	13,630	23,090
Total	60,833	19,449	16,710	14,890	13,630	23,090

3. Breakdown by level of fair values of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels in accordance with the observability and materiality of inputs for fair value measurement.

Level 1 fair value: Fair value measured by using quoted prices for assets or liabilities that are subject to the fair value measurement concerned which are formed in active markets, of observable inputs for fair value measurement

Level 2 fair value: Fair value measured by using inputs for fair value measurement other than Level 1 inputs, of observable inputs for fair value measurement

Level 3 fair value: Fair value measured by using unobservable inputs for fair value measurement

If multiple inputs that have a material impact on fair value measurement are used, the fair value is classified into the lowest priority level in fair value measurement, of the levels to which each input belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheet
As of March 31, 2024

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	1,859	–	–	1,859
Debt securities	–	1,119	–	1,119
Other	65	–	–	65
Derivative transactions				
Interest rate-related derivatives	–	998	–	998
Total assets	1,925	2,117	–	4,043

As of March 31, 2025

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	2,244	–	–	2,244
Debt securities	–	1,070	–	1,070
Other	63	–	–	63
Derivative transactions				
Interest rate-related derivatives	–	1,617	–	1,617
Total assets	2,308	2,687	–	4,995

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet
As of March 31, 2024

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government bonds	19	–	–	19
Guarantee deposits	–	12,589	–	12,589
Leasehold deposits	–	14,003	–	14,003
Total assets	19	26,593	–	26,612
Short-term borrowings	–	11,600	–	11,600
Short-term guarantee deposits received	–	551	–	551
Current portion of bonds payable and bonds payable	–	18,637	–	18,637
Convertible-bond-type bonds with share acquisition rights	44,369	–	–	44,369
Current portion of long-term borrowings and long-term borrowings	–	77,932	–	77,932
Long-term guarantee deposits	–	2,477	–	2,477
Total liabilities	44,369	111,199	–	155,569

As of March 31, 2025

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Government bonds	18	–	–	18
Investments in non-consolidated subsidiaries and affiliates	9,421	–	–	9,421
Guarantee deposits	–	12,411	–	12,411
Leasehold deposits	–	13,697	–	13,697
Total assets	9,439	26,108	–	35,548
Short-term borrowings	–	11,748	–	11,748
Short-term guarantee deposits received	–	570	–	570
Current portion of bonds payable and bonds payable	–	13,573	–	13,573
Current portion of convertible-bond-type bonds with share acquisition rights	39,816	–	–	39,816
Current portion of long-term borrowings and long-term borrowings	–	92,655	–	92,655
Long-term guarantee deposits	–	2,665	–	2,665
Total liabilities	39,816	121,214	–	161,030

Note: Explanation of valuation techniques used to measure fair value and inputs for fair value measurement

Securities and investment securities

Listed equity securities, investment trusts, government bonds, and other debt securities are valued using quoted prices. Since listed equity securities, investment trusts, and government bonds are traded in active markets, their fair values are classified as Level 1 fair value. On the other hand, because other debt securities held by the Company are infrequently traded in markets and quoted prices of other debt securities are not regarded as the quoted prices in active markets, their fair values are classified as Level 2 fair value.

Derivative transactions

The fair values of interest rate swaps are measured at the quoted price obtained from financial institutions, and classified as Level 2 fair value. However, interest rate swaps accounted for using the exceptional method are accounted for together with the hedged long-term borrowings. Therefore, their fair values are included in the fair values of the relevant long-term borrowings. (refer to “Long-term borrowings” below)

Guarantee deposits and leasehold deposits

The fair values of guarantee deposits and leasehold deposits are stated at present value calculated based on the amount of receivables discounted by interest rates that take into account the contractual periods and credit risk for each receivable categorized according to certain periods, and classified as Level 2 fair value.

Convertible-bond-type bonds with share acquisition rights

The fair values of convertible-bond-type bonds with share acquisition rights are measured using quoted prices. Because convertible-bond-type bonds with share acquisition rights are traded in active markets, their fair values are classified as Level 1 fair value.

Short-term borrowings, and current portion of long-term borrowings and long-term borrowings

The book values of short-term borrowings, and current portion of long-term borrowings and long-term borrowings with variable interest rates approximate the fair values because the interest rates reflect market interest rates in the short term, and the Company's credit status has not changed significantly since initiating the borrowings. Therefore, the book values are used for their fair values. Those with fixed interest rates are stated at present value calculated based on the total amount of principal and interest (*) categorized according to certain periods discounted by interest rates that take into account the periods up to maturity and credit risk. All the fair values are classified as Level 2 fair value.

(*) For borrowings hedged by interest rate swaps subject to the exceptional method, the total amount of principal and interest is calculated using the rates of the said interest rate swaps

Short-term guarantee deposits received and long-term guarantee deposits

The fair values of short-term guarantee deposits received and long-term guarantee deposits are stated at present value calculated based on the amount of liabilities categorized according to certain periods discounted by interest rates that take into account the periods up to maturity and credit risk, and classified as Level 2 fair value.

Current portion of bonds payable and bonds payable

The fair values of current portion of bonds payable and bonds payable are stated at present value calculated based on the total amount of principal and interest discounted by interest rates that take into account their remaining periods and credit risk, and classified as Level 2 fair value.

Notes - Securities

1. Held-to-maturity debt securities

As of March 31, 2024

(Millions of yen)

	Type	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	(1) Government and municipal bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Debt securities with fair value not exceeding book value	(1) Government and municipal bonds	20	19	(0)
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	20	19	(0)
Total		20	19	(0)

As of March 31, 2025

(Millions of yen)

	Type	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	(1) Government and municipal bonds	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Debt securities with fair value not exceeding book value	(1) Government and municipal bonds	20	18	(1)
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	20	18	(1)
Total		20	18	(1)

2. Other securities

As of March 31, 2024

(Millions of yen)

	Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Equity securities	1,859	811	1,048
	(2) Debt securities			
	1) Government and municipal bonds	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	65	59	6
	Subtotal	1,925	870	1,054
Securities with book value not exceeding acquisition cost	(1) Equity securities	–	–	–
	(2) Debt securities			
	1) Government and municipal bonds	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	1,119	1,200	(80)
	(3) Other	–	–	–
	Subtotal	1,119	1,200	(80)
Total		3,045	2,070	974

As of March 31, 2025

(Millions of yen)

	Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Equity securities	2,244	811	1,432
	(2) Debt securities			
	1) Government and municipal bonds	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	–	–	–
	(3) Other	63	59	4
	Subtotal	2,308	870	1,437
Securities with book value not exceeding acquisition cost	(1) Equity securities	–	–	–
	(2) Debt securities			
	1) Government and municipal bonds	–	–	–
	2) Corporate bonds	–	–	–
	3) Other	1,070	1,200	(129)
	(3) Other	–	–	–
	Subtotal	1,070	1,200	(129)
Total		3,378	2,070	1,307

3. Sales of other securities

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Proceeds from sale	Realized gain	Realized loss
(1) Equity securities	–	–	–
(2) Debt securities			
1) Government and municipal bonds	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	–	–	–

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

Type	Proceeds from sale	Realized gain	Realized loss
(1) Equity securities	–	–	–
(2) Debt securities			
1) Government and municipal bonds	–	–	–
2) Corporate bonds	–	–	–
3) Other	–	–	–
(3) Other	–	–	–
Total	–	–	–

4. Impairment of securities

No impairment loss of securities was recorded for the year ended March 31, 2024.

No impairment loss of securities was recorded for the year ended March 31, 2025.

For securities with quoted market prices, if the fair value of the securities declines by 50% or more of the acquisition cost, the acquisition cost will be written down to the fair value. If the fair value of the securities declines between 30% and 50% of the acquisition cost, the acquisition cost will be written down to the amount deemed appropriate taking into consideration their recoverability. With respect to the impairment of equity securities without market prices, if the net asset value declines significantly due, for example, to deterioration of the financial position of the issuers, the acquisition cost will be written down to the amount deemed appropriate, taking into consideration their recoverability on a case-to-case basis.

Notes - Derivatives

1. Derivative transactions to which hedge accounting is not applied
   For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
   There were no items to be reported.

   For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
   There were no items to be reported.

2. Derivative transactions to which hedge accounting is applied
   Interest rate-related derivatives

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Receive variable / pay fixed	Long-term borrowings	54,250	46,500	(Note 1) 998
Exceptional method for interest rate swaps	Interest rate swaps Receive variable / pay fixed	Long-term borrowings	100	–	(Note 2)
Total			54,350	46,500	998

Notes: 1. Method for measuring fair value: The fair value is measured at the quoted price obtained from financial institutions.
2. Interest rate swaps accounted for using the exceptional method are accounted for together with the hedged long-term borrowings. Therefore, their fair values are included in the fair values of the relevant long-term borrowings.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

Hedge accounting	Type of derivative transactions	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferred hedge accounting	Interest rate swaps Receive variable / pay fixed	Long-term borrowings	46,500	38,750	(Note) 1,617
Total			46,500	38,750	1,617

Note: Method for measuring fair value: The fair value is measured at the quoted price obtained from financial institutions.

Notes - Retirement benefits

1. Outline of retirement benefits plans
   The Company and some of its consolidated subsidiaries have defined benefit corporate pension plans and lump-sum retirement payment plans as defined benefit plans, as well as defined contribution pension plans as defined contribution plans, while other consolidated subsidiaries have lump-sum retirement payment plans. Also, in some cases, the Group may pay additional retirement benefits upon the retirement of employees, etc.
   A part of tax-qualified retirement pension plans of the Company and some of its consolidated subsidiaries was transferred to defined benefit corporate pension plans on March 29, 2011, and the remaining part excluded from the transfer due to system revision was liquidated. In addition, certain lump-sum retirement payment plans were suspended, and defined contribution pension plans were introduced.
   Certain consolidated subsidiaries apply the simplified method in the calculation of retirement benefit liability and asset and retirement benefit expenses under defined benefit corporate pension plans and lump-sum retirement payment plans. For a portion of the lump-sum retirement payment plan at the Company, because an actuarial calculation estimate is difficult due to the decline in the number of subject employees, during the year ended March 31, 2025, the method of calculating retirement benefit obligations was changed from the standard method to a simplified method.
   During the year ended March 31, 2025, some consolidated subsidiaries revised the provisions related to retirement payments due to extending the retirement age from 60 to 65.

2. Defined benefit plans
   (1) Changes in retirement benefit obligations, excluding plans applying the simplified method, for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Retirement benefit obligations at the beginning of the year	1,905	1,990
Service cost	183	191
Interest cost	13	14
Actuarial gains and losses	0	(18)
Amount of past service cost generated	–	9
Retirement benefits paid	(112)	(93)
Amount transferred as a result of the change from the standard method to a simplified method	–	(16)
Retirement benefit obligations at the end of the year	1,990	2,077

   (2) Changes in plan assets, excluding plans applying the simplified method, for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Plan assets at the beginning of the year	1,113	1,294
Expected return on plan assets	22	25
Actuarial gains and losses	129	(27)
Contributions by the employer	97	149
Retirement benefits paid	(67)	(59)
Plan assets at the end of the year	1,294	1,383

(3) Changes in retirement benefit liability and asset of defined benefit plans applying the simplified method for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Retirement benefit liability at the beginning of the year	238	290
Retirement benefit expenses	79	86
Retirement benefits paid	(16)	(29)
Contribution to the plans	(11)	(18)
Amount transferred as a result of the change from the standard method to a simplified method	–	16
Net retirement benefit liability and asset at the end of the year	290	345

(4) Reconciliation between the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2024 and 2025 was as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Funded retirement benefit obligations	1,194	1,253
Plan assets	(1,498)	(1,588)
	(304)	(335)
Unfunded retirement benefit obligations	1,290	1,374
Net defined benefit liability and asset in the consolidated balance sheet	986	1,038
Retirement benefit asset	–	–
Retirement benefit liability	986	1,038
Net defined benefit liability and asset in the consolidated balance sheet	986	1,038

(5) The components of retirement benefit expenses for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Service cost	263	584
Interest cost	13	14
Expected return on plan assets	(22)	(25)
Amortization of actuarial gains and losses	(12)	(36)
Amortization of past service cost during this fiscal year	–	1
Amount amortized as a result of the change from the standard method to a simplified method	–	0
Retirement benefit expenses	242	538

Note: Retirement benefit expenses of the consolidated subsidiaries applying the simplified method were included in service cost.

(6) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans (before income taxes and tax effects) under other comprehensive income for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Actuarial gain and loss	(116)	44
Past service cost	–	7
Total	(116)	52

(7) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before income taxes and tax effects) under accumulated other comprehensive income as of March 31, 2024 and 2025 were as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Unrecognized actuarial gain and loss	(168)	(123)
Unrecognized past service cost	–	7
Total	(168)	(115)

(8) Plan assets

1) Main components of plan assets

Fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2025 were as follows:

	As of March 31, 2024	As of March 31, 2025
Debt securities	28.0%	28.3%
Equity securities	30.9	29.3
General accounts of life insurance companies	39.7	41.0
Other	1.4	1.4
Total	100.0	100.0

2) Method for establishing long-term expected rate of return on plan assets

The long-term expected rates of return on plan assets have been estimated based on the current and anticipated allocation of plan assets to each asset class and the current and long-term expected rate of return on the various asset classes.

(9) Calculation basis for actuarial assumption

The main actuarial assumptions used for the years ended March 31, 2024 and 2025 were as follows:

	As of March 31, 2024	As of March 31, 2025
Discount rates	0.1 - 0.9%	0.6 - 0.9%
Long-term expected rates of return on plan assets	2.0%	2.0%
Expected rates of salary increase	2.94 - 6.92%	2.90 - 6.95%

3. Defined contribution plans

The amounts paid to defined contribution plans by the Company and its consolidated subsidiaries is 111 million yen for the year ended March 31, 2024 and 120 million yen for the year ended March 31, 2025.

Notes - Stock options

There were no items to be reported.

Notes - Tax effect accounting

1. Significant components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Investment securities	70	72
Shares of subsidiaries and associates	136	474
Allowance for doubtful accounts	54	50
Accrued taxes	212	217
Provision for bonuses	901	1,129
Retirement benefit liability	371	398
Provision for retirement benefits for directors (and other officers)	81	84
Dividend income as repayment of investments	904	930
Impairment losses	1,112	1,169
Asset retirement obligations	448	450
Accrued expenses	146	224
Unrealized gains	1,282	1,503
Non-deductible consumption taxes	20	16
Provision for loss on withdrawal from business	358	45
Tax loss carryforwards (Note)	2,688	1,269
Other	224	274
Deferred tax assets subtotal	9,012	8,311
Valuation allowance relating to tax loss carryforwards (Note)	(1,457)	(1,092)
Valuation allowance relating to total amount of future deductible temporary differences	(2,969)	(3,213)
Valuation allowance subtotal	(4,427)	(4,306)
Total deferred tax assets	4,585	4,004
Deferred tax liabilities		
Reserve for advanced depreciation of non-current assets	(301)	(307)
Asset retirement obligations	(76)	(77)
Valuation difference on available-for-sale securities	(298)	(412)
Deferred gains or losses on interest rate swap hedges	(305)	(509)
Other	(76)	(282)
Total deferred tax liabilities	(1,059)	(1,588)
Net deferred tax assets	3,525	2,415

Note: Expected maturity of the deferred tax assets after the balance sheet date for tax loss carryforwards

As of March 31, 2024

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards(*1)	104	155	187	145	99	1,995	2,688
Valuation allowance	(104)	(155)	(187)	(145)	(99)	(764)	(1,457)
Deferred tax assets(*2)	–	–	–	–	–	1,230	1,230

(*1) The amount of tax loss carryforwards was calculated by multiplying the statutory tax rate.

(*2) The Group recorded deferred tax assets of 2,688 million yen as a result of tax loss carryforwards arising from the impact of an expansion in COVID-19 infections. The Company and all domestic consolidated subsidiaries have introduced the group tax sharing system. Accordingly, when determining the recoverability of deferred tax assets, the future taxable income of the entire total group is used for income taxes (national-level taxes) and the future taxable income of each consolidated taxable company is used for local taxes. For tax loss carryforwards, the Group conducts scheduling of the future expected fiscal years and expected amount of deduction of the tax loss carryforwards based on estimates of the forecasted future taxable income, and records the amount that is expected to be recovered as deferred tax assets.

As of March 31, 2025

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards(*1)	140	169	131	90	105	632	1,269
Valuation allowance	–	(169)	(131)	(90)	(105)	(596)	(1,092)
Deferred tax assets(*2)	140	–	–	–	–	36	176

(*1) The amount of tax loss carryforwards was calculated by multiplying the statutory tax rate.

(*2) The Group recorded deferred tax assets of 176 million yen as a result of tax loss carryforwards. The Company and all domestic consolidated subsidiaries have introduced the group tax sharing system. Accordingly, when determining the recoverability of deferred tax assets, the future taxable income of the entire total group is used for income taxes (national-level taxes) and the future taxable income of each consolidated taxable company is used for local taxes. For tax loss carryforwards, the Group conducts scheduling of the future expected fiscal years and expected amount of deduction of the tax loss carryforwards based on estimates of the forecasted future taxable income, and records the amount that is expected to be recovered as deferred tax assets.

2. Reconciliation between the statutory tax rates and the effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2024 and 2025 was as follows:

	As of March 31, 2024	As of March 31, 2025
Statutory tax rate	30.63%	The note has been omitted because the difference between the statutory tax rate and the effective tax rate is 5% or less of the statutory tax rate.
(Reconciliation)		
Permanent difference due to non-deductible expenses such as entertainment expenses	1.04	
Permanent difference due to non-taxable income such as dividend income	(9.14)	
Inhabitant tax on per capita basis	1.49	
Tax credits	(2.11)	
Valuation allowance	6.41	
Unrealized gains	(0.02)	
Differences in tax rates applicable to subsidiaries	(0.09)	
Other	(0.94)	
Actual effective tax rate after application of tax effect accounting	27.27	

3. Revision to the amounts of deferred tax assets and deferred tax liabilities resulting from the change in the income tax rate
   Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the "Special Corporation Tax for National Defense" will be imposed from the years beginning on or after April 1, 2026.
   Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the years beginning April 1, 2026 are calculated by changing the statutory tax rate from 30.62% to 31.52%.
   As a result of this change, the amount of deferred tax assets in the year ended March 31, 2025 (amount minus the amount of deferred tax liabilities) decreased by 13 million yen, income taxes - deferred decreased by 12 million yen, valuation difference on available-for-sale securities decreased by 11 million yen, and deferred gains or losses on hedges decreased by 14 million yen.

4. Accounting for corporate income tax and local corporate income tax or tax effect accounting related to these taxes
   The Company and all consolidated subsidiaries in Japan apply the group tax sharing system. Accounting treatment and disclosure for corporate income tax and local corporate income tax as well as tax effect accounting are executed in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

Notes - Business combinations

There were no items to be reported.

Notes - Asset retirement obligations

Assets retirement obligations recorded in the consolidated balance sheet

a. Outline of asset retirement obligations
   Obligation to restore the site to its original condition, etc. based on the fixed-term land lease agreements of a part of the hotel business, etc.
   Obligation to restore the site to its original condition, etc. based on the real estate lease agreements of a part of the hotel business, etc.
   Obligation costs for the removal of hazardous substances generated from the dismantlement of Group-owned properties.

With respect to certain costs above, the Group reasonably estimates the unrecoverable amounts of the leasehold and guarantee deposits related to the real estate lease agreements, and charges such amount to income in the year to which such costs are attributable, instead of recording the liabilities as asset retirement obligations.

b. Calculation method of asset retirement obligations

As for the obligation to restore the site to its original condition, etc. based on the fixed-term land lease agreements of a part of the hotel business, etc., the Group calculates the amounts of the asset retirement obligations based on an estimated period of use of such real estate of between 20 years and 51 years considering the applicable period under such agreements and using discount rates ranging from 0.363% to 2.293%.

As for the obligation to restore the site to its original condition, etc. based on the real estate lease agreements of a part of the hotel business, etc., the Group calculates the amounts of the asset retirement obligations based on an estimated period of use of such real estate of between 3 years and 20 years considering the applicable period of depreciation and using discount rates ranging from 0.000% to 3.000%.

As for obligation costs for the removal of hazardous substances generated from the dismantlement of Group-owned properties, the Group calculates the amounts of the asset retirement obligations based on an estimated period of use of such buildings of between 22 years and 25 years considering the applicable period of depreciation and using discount rates ranging from 1.178% to 2.273%.

c. Changes in asset retirement obligations

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Balance at the beginning of the year	492	499
Unwinding of discount	3	3
Decrease due to settlement of asset retirement obligations	–	–
Foreign currency translation differences	2	(3)
Balance at the end of the year	499	499

Notes - Real estate held for rental

The Group owns dormitories and office buildings (including land) which are held for rental in Tokyo and other areas.

Book value, net increase or decrease during the year, and fair value of real estate held for rental for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

		For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Book value			
	Balance at the beginning of the year	37,192	37,216
	Net increase (decrease) during the year	23	(259)
	Balance at the end of the year	37,216	36,956
Fair value at the end of the year		55,665	56,446

Notes: 1. Book value represents acquisition cost less accumulated depreciation and accumulated impairment losses.

2. Fair value at the end of the year is primarily calculated by real estate appraisers based on the real estate appraisal standard (including amounts for which adjustments were made using indicators, etc.).

Income and expenses in relation to real estate held for rental for the years ended March 31, 2024 and 2025 were as follows:

(Millions of yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Rental income	6,519	6,674
Rental expenses	3,749	3,890
Net	2,770	2,783
Other	0	0

Note: Rental income and rental expenses were included in net sales and cost of sales, respectively.

Notes - Revenue recognition

1. Information on disaggregation of revenue from contracts with customers.
   For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable Segments						Other (Note 1)	Total
	Dormitory	Hotel	Compre-hensive Building Management	Food Service	Development	Subtotal		
Student dormitories	5,508	–	–	–	–	5,508	–	5,508
Employee dormitories	2,755	–	–	–	–	2,755	–	2,755
Domeal	90	–	–	–	–	90	–	90
Contracted dormitories	3,851	–	–	–	–	3,851	–	3,851
Dormy Inn	–	72,753	–	–	–	72,753	–	72,753
Resort	–	52,680	–	–	–	52,680	–	52,680
Office-building management	–	–	4,355	–	–	4,355	–	4,355
Residential building management	–	–	3,285	–	–	3,285	–	3,285
Food Service	–	–	–	1,651	–	1,651	–	1,651
Development	–	–	–	–	1,477	1,477	–	1,477
Other	–	–	–	–	–	–	14,359	14,359
Revenue from contracts with customers	12,206	125,433	7,640	1,651	1,477	148,409	14,359	162,769
Other revenue (Note 2)	39,856	–	143	–	176	40,175	1,180	41,356
Sales to external customers	52,062	125,433	7,784	1,651	1,653	188,585	15,540	204,126

Notes: 1. The "Other" segment consists of the following businesses not included in the reportable segments: the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, the administrative outsourcing business, and other businesses incidental thereto.

2. Other revenues include interest income, etc. under the ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and rental income, etc. under the ASBJ Statement No. 13 "Accounting Standard for Lease Transactions."

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable Segments						Other (Note 1)	Total
	Dormitory	Hotel	Compre-hensive Building Management	Food Service	Development	Subtotal		
Student dormitories	6,091	–	–	–	–	6,091	–	6,091
Employee dormitories	2,854	–	–	–	–	2,854	–	2,854
Domeal	96	–	–	–	–	96	–	96
Contracted dormitories	4,161	–	–	–	–	4,161	–	4,161
Dormy Inn	–	83,674	–	–	–	83,674	–	83,674
Resort	–	55,332	–	–	–	55,332	–	55,332
Office-building management	–	–	4,480	–	–	4,480	–	4,480
Residential building management	–	–	3,741	–	–	3,741	–	3,741
Food Service	–	–	–	1,933	–	1,933	–	1,933
Development	–	–	–	–	7,823	7,823	–	7,823
Other	–	–	–	–	–	–	15,451	15,451
Revenue from contracts with customers	13,203	139,006	8,221	1,933	7,823	170,189	15,451	185,641
Other revenue (Note 2)	41,366	–	103	–	161	41,632	1,660	43,292
Sales to external customers	54,570	139,006	8,325	1,933	7,985	211,821	17,112	228,933

Notes: 1. The “Other” segment consists of the following businesses not included in the reportable segments: the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, the administrative outsourcing business, and other businesses incidental thereto.

2. Other revenues include interest income, etc. under the ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and rental income, etc. under the ASBJ Statement No. 13 “Accounting Standard for Lease Transactions.”

2. Information that forms the basis for understanding revenue from contracts with customers

Information that forms the basis for understanding revenue from contracts with customers is as described in “Notes - Significant accounting policies for preparation of consolidated financial statements, 4. Disclosure of accounting policies, (6) Recognition of significant revenues and expenses.”

3. Information on relation between satisfaction of performance obligations under contracts with customers and cash flows arising from these contracts, and amount and timing of revenue expected to be recognized in and after the year ending March 31, 2026 from contracts with customers that existed at the end of the year ended March 31, 2025

(1) Balances of contract assets and contract liabilities, etc.

Opening balance and closing balance of receivables arising from contracts with customers, contract assets and contract liabilities are as follows.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Opening balance (April 1, 2023)	Closing balance (March 31, 2024)
Receivables arising from contracts with customers	10,968	13,698
Contract assets	457	758
Contract liabilities	418	703

Receivables arising from contracts with customers represent accounts receivable - trade and notes receivable - trade for which the rights to payment had become unconditional as at the end of the fiscal year, and others.
Contract assets relate to the Group's rights to consideration for works that have created assets controlled by customers but not been billed as at the end of the fiscal year. Contract assets are reclassified to receivables when the rights to payment become unconditional.
Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group received consideration from customers or which have become due for receiving consideration.
Of revenue recognized during the year ended March 31, 2025, revenue included in the opening balance of contract liabilities is 418 million yen. There is no revenue that was recognized in the year ended March 31, 2025 from performance obligations that were satisfied in past periods.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Opening balance (April 1, 2024)	Closing balance (March 31, 2025)
Receivables arising from contracts with customers	13,698	14,661
Contract assets	758	460
Contract liabilities	703	436

Receivables arising from contracts with customers represent accounts receivable - trade and notes receivable - trade for which the rights to payment had become unconditional as at the end of the fiscal year, and others.
Contract assets relate to the Group's rights to consideration for works that have created assets controlled by customers but not been billed as at the end of the fiscal year. Contract assets are reclassified to receivables when the rights to payment become unconditional.
Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group received consideration from customers or which have become due for receiving consideration.
Of revenue recognized during the year ended March 31, 2025, revenue included in the opening balance of contract liabilities is 703 million yen. There is no revenue that was recognized in the year ended March 31, 2025 from performance obligations that were satisfied in past periods.

(2) Transaction price allocated to remaining performance obligations

Information on the total amount of transaction price allocated to remaining performance obligations and period during which revenue is expected to be recognized is omitted, because there is no such period exceeding one year.

Notes - Segment information, etc.

[Segment information]

1. General information of reportable segments
   The Group's reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the board of directors to decide on the allocation of operating resources and assess their performance.
   The Group establishes business sections for individual services (or subsidiaries for some services) within the Group. Each business section or subsidiary drafts strategies and engages in business activities for its services.
   Accordingly, the Group consists of service-specific segments based on these business sections and subsidiaries. Its five reporting segments are the Dormitory Business, the Hotel Business, the Comprehensive Building Management Business, the Food Service Business, and the Development Business.
   The outline of the respective reportable segments is as follows:
   Dormitory Business: Operation and management of student dormitories, employee dormitories, Domeal, and contracted dormitories
   Hotel Business: The Dormy Inn (limited-service hotel) and resorts (resort hotel) businesses
   Comprehensive Building Management Business: Office-building management and residential building management
   Food Service Business: Businesses related to restaurants, contracted food service, hotel restaurants, and other facilities operated under contract
   Development Business: Construction, planning, design, and brokerage businesses, the condominium business, the real-estate sale and leaseback business, and other development-related businesses

2. Methods to determine amounts of net sales, profit or loss, assets and other items of each segment
   The accounting policies of each reportable segment are consistent with those disclosed in "Notes - Significant accounting policies for preparation of consolidated financial statements."
   Segment profit is based on operating profit.
   Intersegment sales and transfers are determined based on prevailing market prices.

3. Information about net sales, profit or loss, assets, and other items by reportable segment
For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable Segments						Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Dormitory	Hotel	Comprehensive Building Management	Food Service	Development	Subtotal				
Net sales										
Sales to external customers	52,062	125,433	7,784	1,651	1,653	188,585	15,540	204,126	–	204,126
Intersegment sales or transfers	240	136	14,819	9,452	1,969	26,619	649	27,269	(27,269)	–
Total	52,303	125,570	22,604	11,103	3,623	215,205	16,190	231,396	(27,269)	204,126
Segment profit (loss)	5,881	14,843	824	208	340	22,098	(310)	21,788	(5,079)	16,708
Segment assets	59,209	118,672	16,309	2,525	27,565	224,283	16,775	241,059	29,862	270,921
Other										
Depreciation	1,525	5,006	60	38	42	6,672	130	6,802	(21)	6,780
Impairment losses	211	1,727	–	77	–	2,015	–	2,015	–	2,015
Increase in property, plant and equipment, and intangible assets	3,900	14,089	121	192	4	18,308	271	18,579	(675)	17,904

Notes: 1. The “Other” segment consists of the following businesses not included in the reportable segments: the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, the administrative outsourcing business, and other businesses incidental thereto.

2. The details of the adjustments were as follows:

(Millions of yen)

Segment profit (loss)	
Elimination of intersegment transactions	(563)
Corporate expenses (Note)	(4,516)
Total	(5,079)

Note: Corporate expenses primarily consist of expenses related to the administrative departments such as the accounting department at the head office.

(Millions of yen)

Segment assets	
Elimination of intersegment transactions	(15,609)
Corporate assets (Note)	45,471
Total	29,862

Note: Corporate assets consist of cash and deposits at the head office, investment securities, assets of the administrative departments, and deferred tax assets.

3. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable Segments						Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Dormitory	Hotel	Comprehensive Building Management	Food Service	Development	Subtotal				
Net sales										
Sales to external customers	54,570	139,006	8,325	1,933	7,985	211,821	17,112	228,933	–	228,933
Intersegment sales or transfers	353	243	18,791	10,597	1,967	31,953	700	32,653	(32,653)	–
Total	54,923	139,250	27,116	12,530	9,953	243,774	17,813	261,587	(32,653)	228,933
Segment profit (loss)	6,077	18,498	1,213	244	672	26,706	(426)	26,280	(5,789)	20,491
Segment assets	61,781	159,398	19,223	2,744	24,086	267,234	16,666	283,900	17,569	301,470
Other										
Depreciation	1,574	5,875	103	43	41	7,638	151	7,789	(73)	7,716
Equity in earnings (losses) of affiliates	–	–	–	–	–	–	1,331	1,331	–	1,331
Impairment losses	41	223	–	46	–	311	–	311	–	311
Increase in property, plant and equipment, and intangible assets	4,372	43,394	121	13	9	47,911	179	48,090	(38)	48,052

Notes: 1. The “Other” segment consists of the following businesses not included in the reportable segments: the Senior Life Business (management and operation of senior residences), the Public Kyoritsu Partnership (PKP) Business (services provided under contract to local governments), support for people who live alone, the insurance agency business, comprehensive human-resource services, the financial business, the administrative outsourcing business, and other businesses incidental thereto.

2. The details of the adjustments were as follows:

(Millions of yen)

Segment profit (loss)	
Elimination of intersegment transactions	(825)
Corporate expenses (Note)	(4,963)
Total	(5,789)

Note: Corporate expenses primarily consist of expenses related to the administrative departments such as the accounting department at the head office.

(Millions of yen)

Segment assets	
Elimination of intersegment transactions	(20,851)
Corporate assets (Note)	38,421
Total	17,569

Note: Corporate assets consist of cash and deposits at the head office, investment securities, assets of the administrative departments, and deferred tax assets.

3. Segment profit (loss) is adjusted with operating profit in the consolidated statement of income.

[Information associated with reportable segments]

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Information by product and service

(Millions of yen)

	Student dormitories	Employee dormitories	Domeal	Contracted dormitories	Dormy Inn	Resort	Office-building management	Residential building management	Food Service	Development	Other	Consolidated
Sales to external customers	29,949	13,258	5,003	3,851	72,753	52,680	4,489	3,294	1,651	1,653	15,540	204,126

2. Information by geographical area
   (1) Net sales
   This information is omitted because sales to external customers in Japan exceeded 90% of net sales in the consolidated statement of income.

   (2) Property, plant and equipment
   This information is omitted because the balance of property, plant and equipment in Japan exceeded 90% of the total balance of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer
   This information is omitted because the Group does not have any major customers that account for 10% or more of net sales in the consolidated statement of income.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

1. Information by product and service

(Millions of yen)

	Student dormitories	Employee dormitories	Domeal	Contracted dormitories	Dormy Inn	Resort	Office-building management	Residential building management	Food Service	Development	Other	Consolidated
Sales to external customers	31,193	14,141	5,073	4,161	83,674	55,332	4,582	3,742	1,933	7,985	17,112	228,933

2. Information by geographical area
   (1) Net sales
   This information is omitted because sales to external customers in Japan exceeded 90% of net sales in the consolidated statement of income.

   (2) Property, plant and equipment
   This information is omitted because the balance of property, plant and equipment in Japan exceeded 90% of the total balance of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer
   This information is omitted because the Group does not have any major customers that account for 10% or more of net sales in the consolidated statement of income.

[Information about impairment losses on non-current assets by reportable segment]

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

This information is omitted because the same information has been presented in 3. Information about net sales, profit or loss, assets and other items by reportable segment.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

This information is omitted because the same information has been presented in 3. Information about net sales, profit or loss, assets and other items by reportable segment.

[Information about amortization of goodwill and year-end balance of goodwill by reportable segment]

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

There were no items to be reported.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

There were no items to be reported.

[Information about gain on negative goodwill by reportable segment]

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

There were no items to be reported.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

There were no items to be reported.

[Information on related parties]

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Related party transactions

   Transactions of the Company with related parties

   Directors and major shareholders, etc. (limited to individuals) of the Company

(Millions of yen)

Type	Name	Location	Capital	Business/ occupation	Percentage of voting rights (held)	Relationship	Transaction	Transaction amount	Accounts	Year-end balance
Director	Haruhisa Ishizuka	–	–	Chairman of the Company	Directly held 2.71%	Leasing of real estate	Rent expenses of dormitories and hotels	186	Other in current assets	16
							Payment of leasehold deposits	–	Leasehold deposits	199
Director	Koji Nakamura	–	–	President of the Company	Directly held 0.02%	Lending of funds (Note 4)	Lending of funds	–	Other in current assets	0
							Receipt of interest	0	Long-term loans receivable	16
Director	Yasuo Ohara	–	–	Executive Director of the Company	Directly held 0.01%	Lending of funds (Note 4)	Lending of funds	–	Other in current assets	0
							Receipt of interest	0	Long-term loans receivable	14
Company, etc. whose majority of voting rights is held by a director and/or his/her relative (including the said company's subsidiaries)	Milestone Co., Ltd. (Notes 2, 3)	Katsushika-ku, Tokyo	100	Real estate rental business, etc.	Directly held 10.94%	Leasing of real estate	Rent expenses of dormitories	27	Other in current assets	2
									Guarantee deposits	15

Notes:
1. The terms and conditions of the transactions in the above tables are determined in the same way as the terms and conditions of general transactions with parties unrelated to the Company, and interest rates on funds lent are determined reasonably in consideration of market interest rates.
2. The Company's chairman, Haruhisa Ishizuka and his relative hold 100% of Milestone Co., Ltd.'s voting rights.
3. The Company's chairman, Haruhisa Ishizuka, serves as Milestone Co., Ltd.'s director, and his relative serves as Milestone Co., Ltd.'s representative director.
4. The above lending of funds was carried out in relation to the purchase of the Company's shares through on-market trade, which is in line with the Guidelines on Possession of the Company's Shares by Officers established by the Company.

2. Notes on the parent company or significant associates

   Condensed financial information of significant associates

   In the year ended March 31, 2024, the significant associate is COSMOS INITIA Co., Ltd., and its condensed financial statements are as follows:

Total current assets	161,999	million yen
Total non-current assets	11,333	
Total current liabilities	74,108	
Total non-current liabilities	53,621	
Total net assets	45,602	
Net sales	124,588	
Profit before income taxes	6,673	
Profit attributable to owners of parent	4,278	

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

1. Related party transactions

   Transactions of the Company with related parties

   Directors and major shareholders, etc. (limited to individuals) of the Company

(Millions of yen)

Type	Name	Location	Capital	Business/ occupation	Percentage of voting rights (held)	Relationship	Transaction	Transaction amount	Accounts	Year-end balance
Director	Haruhisa Ishizuka	–	–	Chairman of the Company	Directly held 2.71%	Leasing of real estate	Rent expenses of dormitories and hotels	186	Other in current assets	16
							Payment of leasehold deposits	–	Leasehold deposits	199
Director	Koji Nakamura	–	–	President of the Company	Directly held 0.03%	Lending of funds (Note 4)	Lending of funds	–	Other in current assets	0
							Receipt of interest	0	Long-term loans receivable	16
Director	Yasuo Ohara	–	–	Executive Director of the Company	Directly held 0.01%	Lending of funds (Note 4)	Lending of funds	–	Other in current assets	0
							Receipt of interest	0	Long-term loans receivable	14
Company, etc. whose majority of voting rights is held by a director and/or his/her relative (including the said company's subsidiaries)	Milestone Co., Ltd. (Notes 2, 3)	Katsushika-ku, Tokyo	100	Real estate rental business, etc.	Directly held 10.90%	Leasing of real estate	Rent expenses of dormitories	27	Other in current assets	2
									Guarantee deposits	15

Notes:
1. The terms and conditions of the transactions in the above tables are determined in the same way as the terms and conditions of general transactions with parties unrelated to the Company, and interest rates on funds lent are determined reasonably in consideration of market interest rates.
2. The Company's chairman, Haruhisa Ishizuka and his relative hold 100% of Milestone Co., Ltd.'s voting rights.
3. The Company's chairman, Haruhisa Ishizuka, serves as Milestone Co., Ltd.'s director, and his relative serves as Milestone Co., Ltd.'s representative director.
4. The above lending of funds was carried out in relation to the purchase of the Company's shares through on-market trade, which is in line with the Guidelines on Possession of the Company's Shares by Officers established by the Company.

2. Notes on the parent company or significant associates

   Condensed financial information of significant associates

   In the year ended March 31, 2025, the significant associate is COSMOS INITIA Co., Ltd., and its condensed financial statements are as follows:

Total current assets	164,599	million yen
Total non-current assets	12,250	
Total current liabilities	66,994	
Total non-current liabilities	59,536	
Total net assets	50,318	
Net sales	129,528	
Profit before income taxes	7,977	
Profit attributable to owners of parent	5,323	

Notes - Per share data

(Yen)

	For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Net assets per share	1,109.91	1,272.69
Basic earnings per share	159.12	186.56
Diluted earnings per share	136.57	160.15

Notes: 1. The Company conducted a two-for-one stock split as of April 1, 2024, based on a resolution of the Board of Directors meeting held on February 9, 2024. Net assets per share, basic earnings per share, and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

2. The basis for calculating basic earnings per share and diluted earnings per share is as follows:

		For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)	For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
(1) Basic earnings per share			
Profit attributable to owners of parent	(Millions of yen)	12,414	14,562
Profit (loss) not attributable to common shareholders	(Millions of yen)	–	–
Profit attributable to owners of parent attributable to shareholders of common stock	(Millions of yen)	12,414	14,562
Weighted-average number of common stock outstanding during the year	(Thousands of shares)	78,020	78,058
(2) Diluted earnings per share			
Adjustments to profit attributable to owners of parent	(Millions of yen)	(20)	(20)
(Of the above, interest income (after tax equivalent deducted))	(Millions of yen)	(20)	(20)
Increase in common shares	(Thousands of shares)	12,730	12,738
Outline of potential common stock excluded from the calculation of diluted EPS due to its non-dilutive effect		—	—

Notes - Subsequent events

There were no items to be reported.

5) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Company name	Bond name	Date of issuance	Balance as of April 1, 2024 (Millions of yen)	Balance as of March 31, 2025 (Millions of yen)	Interest rate (per annum)	Collateral	Date of maturity
KYORITSU MAINTENANCE CO., LTD.	20th Series Unsecured Corporation Bond	March 31, 2015	200 [200]	– [–]	0.88%	None	March 31, 2025
	21st Series Unsecured Corporation Bond	December 30, 2016	2,400 [800]	1,600 [800]	0.52%	None	December 30, 2026
	22nd Series Unsecured Corporation Bond	March 31, 2017	1,200 [400]	800 [400]	0.39%	None	March 31, 2027
	23rd Series Unsecured Corporation Bond	March 31, 2017	1,200 [400]	800 [400]	0.50%	None	March 31, 2027
	24th Series Unsecured Corporation Bond	March 30, 2018	3,600 [900]	2,700 [900]	0.52%	None	March 30, 2028
	25th Series Unsecured Corporation Bond	March 30, 2018	1,880 [470]	1,410 [470]	0.35%	None	March 30, 2028
	26th Series Unsecured Corporation Bond	March 30, 2018	1,800 [450]	1,350 [450]	0.14%	None	March 30, 2028
	27th Series Unsecured Corporation Bond	March 29, 2019	3,500 [700]	2,800 [700]	0.44%	None	March 30, 2029
	28th Series Unsecured Corporation Bond	March 29, 2019	1,500 [300]	1,200 [300]	0.16%	None	March 30, 2029
	29th Series Unsecured Corporation Bond	March 29, 2019	1,300 [260]	1,040 [260]	0.27%	None	March 30, 2029
	Euro yen-denominated Convertible-Bond-Type Bonds With Share Acquisition Rights due 2026 (Note 2)	January 29, 2021	30,052 [–]	30,022 [30,022]	None	None	January 29, 2026
Total	–	–	48,632 [4,880]	43,722 [34,702]	–	–	–

Notes: 1. Figures in brackets represent current portion of bonds payable.

2. The details of convertible-bond-type bonds with share acquisition rights were as follows:

Bond	Euro yen-denominated maturity due 2026
Type of shares to be issued	Common stock
Issue price of share acquisition rights (Yen)	Gratis
Issue price of shares (Yen)	2,355
Total issue price (Millions of yen)	30,150
Total issue price of shares issued upon exercise of share acquisition rights (Millions of yen)	–
Percentage of share acquisition rights granted (%)	100
Exercise period for share acquisition rights	From February 12, 2021 to January 15, 2026

Notes: 1. When a holder makes a request to exercise their share acquisition rights, it shall be deemed that the full amount to be paid at the exercise of the share acquisition rights has been paid in, and that the related bonds with share acquisition rights have been redeemed in full. The said request shall be deemed to have been made when the share acquisition rights are exercised.

2. On April 1, 2024, the Company conducted a two-for-one stock split. As a result, the stock price of issue has been adjusted.

3. At the 45th Ordinary General Meeting of Shareholders (for the year ended March 31, 2024) held on June 26, 2024, the proposal to pay a year-end dividend of 33 yen per share for the appropriation of surplus was approved and adopted, and the annual dividend for the year ended March 31, 2024 was decided to be 49 yen per share. In accordance with the conversion price

adjustment clause of the euro yen-denominated convertible-bond-type bonds with share acquisition rights due 2026, the stock price of issue has been adjusted.

4. At the 46th Ordinary General Meeting of Shareholders (for the year ended March 31, 2025) held on June 26, 2025, the proposal to pay a year-end dividend of 22 yen per share for the appropriation of surplus was approved and adopted, and the annual dividend for the year ended March 31, 2025 was decided to be 38 yen per share. In accordance with the conversion price adjustment clause of the euro yen-denominated convertible-bond-type bonds with share acquisition rights due 2026, the conversion price was adjusted from 2,355.0 yen to 2,343.0 yen retrospectively as of April 1, 2025.

3. Amounts to be redeemed within five years after the consolidated balance sheet date are as follows:

(Millions of yen)

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
34,680	4,680	3,080	1,260	–

[Annexed consolidated detailed schedule of borrowings]

Classification	Balance as of April 1, 2024 (Millions of yen)	Balance as of March 31, 2025 (Millions of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	11,600	11,750	1.02%	–
Current portion of long-term borrowings	15,260	14,403	0.75%	–
Current portion of lease obligations	42	44	3.34%	–
Long-term borrowings (excluding current portion)	62,453	78,749	0.87%	2025 - 2035
Lease obligations (excluding current portion)	614	570	3.34%	2041
Other interest-bearing liabilities	–	–	–	–
Total	89,971	105,518	–	–

Notes: 1. The average interest rates shown above are the weighted average interest rates applicable to the year-end balance of the borrowings, etc.

2. The scheduled redemption amounts of long-term borrowings and lease obligations (excluding current portion) for the five years subsequent to March 31, 2025 were as follows:

(Millions of yen)

Classification	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	14,769	13,630	13,630	13,630
Lease obligations	46	47	49	51

[Annexed consolidated detailed schedule of asset retirement obligations]

This information is omitted pursuant to the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements, since the respective amounts of asset retirement obligations as of April 1, 2024 and March 31, 2025 were 1% or less of the total of liabilities and net assets as of the same dates.

(2) Others

1) Semi-annual information for the year ended March 31, 2025

(Cumulative period)	For the six months ended September 30, 2024	For the year ended March 31, 2025
Net sales (Millions of yen)	111,352	228,933
Profit before income taxes (Millions of yen)	11,067	20,797
Profit attributable to owners of parent (Millions of yen)	7,726	14,562
Basic earnings per share (Yen)	99.00	186.56

2) Litigation

There were no items to be reported.

Independent Auditor's Report

The Board of Directors
KYORITSU MAINTENANCE CO., LTD.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of KYORITSU MAINTENANCE CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property and equipment in the Hotel Business	
Description of Key Audit Matter	**Auditor's Response**
Property and equipment owned by the Group are exposed to risks such as rapid changes in economic conditions and changes in financial situations. More specifically, the Hotel Business is seeing an increase in average	We mainly performed the following audit procedures in considering the impairment of property and equipment in the Hotel Business of the Group.

daily rates and occupancy rates due to strong domestic demand and a rise in foreign tourists visiting Japan. However, there are differences between business locations and regions, and the hotel business has been affected by soaring costs for food and payroll expenses. As described in (Significant Accounting Estimates) under Notes to Consolidated Financial Statements, the Group recorded property and equipment of 111,992 million yen for the Hotel Business on the consolidated balance sheet, accounting for 37% of total assets. Further, the Group recorded impairment loss of 223 million yen for the Hotel Business on the consolidated statement of income. The Group classifies assets into asset groups mainly by business location in the Hotel Business, and of the asset groups for which it determines that there are indications of impairment, if the total amount of the undiscounted future cash flows fall below the carrying amount, then it reduces the carrying amount of the asset group to the recoverable amount and recognizes the amount of the reduction as an impairment loss. The recoverable amount is measured as the higher of net realizable value and value in use of the asset group, net realizable value is determined based on information such as real estate appraisal value, and value in use is calculated by discounting undiscounted future cash flows based on profit plans at discount rates. As described in (Significant Accounting Estimates) under Notes to Consolidated Financial Statements, the significant assumptions used in estimating value in use are the average daily rates, occupancy rates, and discount rates, which serve as the basis for profit plans. Given that estimates of recoverable amounts are subject to uncertainty and require management judgment, we have determined that this is a key audit matter for the fiscal year ended March 31, 2025.	・We inspected minutes of various meetings such as meetings of the board of directors and made inquiries of management to identify events impacting assessments, and considered whether the identified events have been reflected in determinations of impairment. ・For estimates of value in use, we compared prior year profit plans with actual results to evaluate the effectiveness of the estimation process that management uses in formulating profit plans. We also made inquiries of management on matters including average daily rates, occupancy rates, and discount rates, which are the significant assumptions used in estimates, compared such assumptions to external data, and performed sensitivity analysis taking into account both trend analysis based on historical data and the risk of future fluctuations. ・For real estate appraisal values that serve as the basis for net selling prices, we made inquiries regarding occupancy rates and average daily rates that underly the appraisals, and compared the appraisal values with market reports and other data. ・In addition to the on-site inspections of business locations deemed necessary by us, we made inquiries of the responsible personnel regarding the operating environment and assessed the consistency with the Group's profit plans.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information did not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

The fees for the audits of the financial statements of KYORITSU MAINTENANCE CO., LTD. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 72 million yen and 4 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2025

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Atsushi Suganuma
Designated Engagement Partner
Certified Public Accountant

II Overview of Business

1 Management Policy, Business Environment, and Issues to be Addressed

The forward-looking statements in this document are based on the judgment of the Group as of March 31, 2025.

(1) Management Policy

Since its establishment, the Group has set “customer first” as its starting point and has made it its management policy to contribute to the progress of society as a whole through the provision of “food,” “housing,” and “relaxation” services for various stages of life. We have been striving to improve and develop the quality of our useful services by solving all kinds of issues in people’s lives as corporate guidelines, with “a modern version of lodgings” with a “people-oriented mindset” at the core of our business. We will further implement our specific business strategies of “further expansion and development as well as re-strengthening of profitability of core dormitory business,” “strengthening and expansion of the foundation of the hotel business as the next generation earnings pillar,” and “early establishment of new businesses as the third pillar” to strengthen corporate structure and improve services. By doing so, we will make efforts to further contribute to customers, business partners, and the local community.

(2) Business Environment and Issues to be Addressed, and Medium-Term Management Plan

In the immediate business environment surrounding our company, domestic demand for business and leisure travel has held steady, and we anticipate that demand for inbound travel to Japan will further increase. However, uncertainty is continuing to rise due to developments in the global economy, namely tariffs from the United States, monetary policies of individual countries, the prolonged war in Ukraine, and the Gaza conflict spreading throughout the Middle East.

Under these circumstances, we have formulated a new five-year Medium-Term Management Plan, “KYORITSU Growth Vision / Rise Up Plan 2028,” starting with the fiscal year ended March 31, 2024, based on the recognition that in order to achieve sustainable growth as a “100-year company,” the Company must expand its market while inheriting its accumulated strengths and establish a solid business foundation that enables the Company to survive future changes in the business environment. This plan is based on the long-term vision of “3&3&3 (Triple Threes, 2030: Net sales of 300 billion yen and operating profit of 30 billion yen),” and its pillars are “recovering from COVID-19 to achieve renewed growth,” and “pursuing further growth in customer satisfaction and regional expansion.” We will strive for further growth and work to enhance social value and shareholder value.

Pillars	1.	Recovering from COVID-19 to achieve renewed growth	
	2.	Pursuing further growth in customer satisfaction and regional expansion	
Period		April 2023 to March 2028	
Quantitative targets	1.	Fiscal year ending March 31, 2028	Net sales 280 billion yen, operating profit 28 billion yen, and operating profit margin 10%
			EPS 200 yen (Note 1)
			ROE 10%
			Net D/E ratio 1 or less
			Payout ratio 20% or higher

2. Investment plans (total from April 2023 to March 2028) (Note 2)

Investing in development	195 billion yen
Large-scale renovations	35 billion yen
DX investments	10 billion yen
Total	240 billion yen

3. Development plans (fiscal year ending March 31, 2028)

Dormitory business	50,000 rooms (+6,700 rooms)
Dormy Inn business	20,000 rooms (+3,600 rooms)
Resorts business	5,500 rooms (+1,300 rooms)

(Notes)
1. On April 1, 2024, the Company conducted a two-for-one stock split on common stock.
   This impact is reflected in the EPS, which has been updated from 400 yen announced in the previous fiscal year, to 200 yen.
2. The investment plans have been partially revised from their original state.

(3) Targeted Management Indicator

The Group considers consolidated ROE (return on equity) as an important management indicator to measure sustainable growth and improvement in profitability and capital efficiency, and aims to improve it.

2 Approach and Initiatives for Sustainability

1. Approach and Initiatives for Sustainability

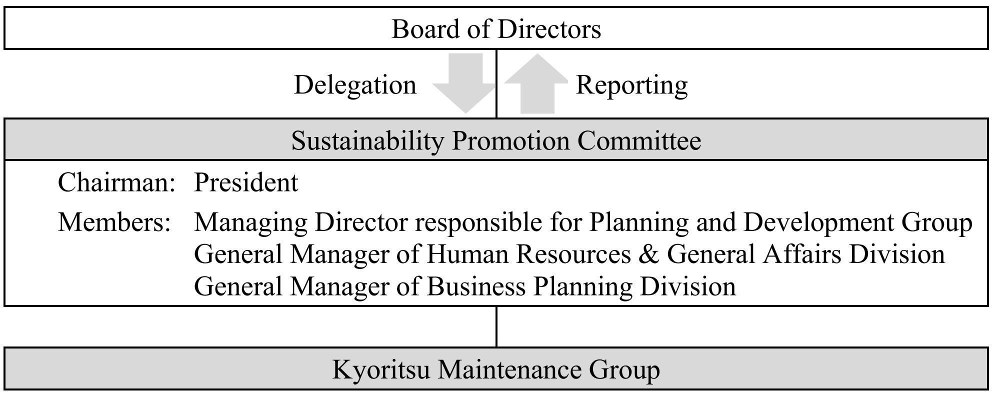
With sustainability at the core of its management, the Group will continue to innovate and take on new challenges for the future of the global environment and a sustainable society. From this perspective, our approach to sustainability is summarized in our Sustainability Policy, which is publicly announced.

Sustainability Policy

We, the Kyoritsu Maintenance Group, are engaged in business activities to create good mornings for our customers by providing true relaxation and comfort through providing food and housing so that they can greet each new day full of hope, vitality, and abundance.
Naming ourselves “Kyoritsu” to imply that we stand together with our customers, society, and all the people who support us, and that we solidly maintain a presence in this world, since our founding, we have prioritized social responsibility as an important issue associated with our business activities.
This is also linked to our contribution to the achievement of the SDGs in recent years and our efforts to address environmental, social, and corporate governance (ESG) issues. We will continue to strive for the realization of a sustainable society while enhancing our corporate value over the medium to long term through our business activities.

(1) Governance

In April 2022, we started the Sustainability Promotion Committee, chaired by the President of the Company, to promote efforts to address issues surrounding sustainability. In response to a policy from the Board of Directors, this committee holds various discussions on sustainability, determines various policies, targets, and measures related to sustainability, and reports to the Board of Directors on the progress of these discussions and determinations.
The governance structure for sustainability-related risks and opportunities is as follows.



Main areas covered by Sustainability Promotion Committee members

President:	Overall supervision
Managing Director responsible for Planning and Development Group:	Responsible for the entire area
General Manager of Human Resources & General Affairs Division:	Responsible for the entire area with a focus on human capital
General Manager of Business Planning Division:	Responsible mainly for energy

Additionally, the Sustainability Promotion Committee met twice in the first half and twice in the second half of the fiscal year ended March 31, 2025 (including enhancement of sustainability items in the Annual Securities Report, creation and disclosure of the Integrated Report, development of various policies, etc.).

(2) Strategies

The Group has identified the key issues, or “materialities,” to be prioritized in addressing sustainability issues. These issues have been derived from the SDGs, global ESG indicators, and benchmark surveys of domestic peer companies. The Group has determined these priorities by considering their level of importance to the Group and their level of importance to stakeholders.

STEP 1

Identification of Sustainability Issues

Sustainability issues related to our business are listed based on the SDGs, global ESG disclosure standards (SASB), and benchmark surveys of domestic peer companies.

STEP 2

Prioritization

The identified issues are prioritized, taking into account their level of importance to the Group and their level of importance to stakeholders.

STEP 3

Discussion and Approval by Management

The Sustainability Promotion Committee discusses and approves the list.

STEP 4

Reporting to the Board of Directors

Initiatives for materiality are as follows.

Classification	Materiality	Initiative
Environment	Reduction of greenhouse gases	・ Switch to energy-efficient equipment ・ Secondary use of heat from hot springs ・ Support for promotion of EVs (electric vehicles) and other eco-cars ・ Management of industrial waste performance
	Reduction of single-use plastics	・ Review of amenity offerings
	Effective use of water resources	・ Ceasing routine changing of linens (WECO cleaning for consecutive nights) ・ Installation of water-saving equipment
Society (human resources)	Creation of new jobs	・ Active job creation ・ Employment of people with disabilities
	Diverse workforce	・ Increasing the percentage of women in management positions ・ Introduction of unisex uniforms
	Investment in human resources	・ Expansion of training programs
	Providing opportunities for learning	・ Implementation of a dormitory resident assistant (RA) program ・ Implementation of work experience programs at hotels ・ Support for overseas students through the Kyoritsu International Foundation Scholarship ・ Providing tuition assistance programs

Classification	Materiality	Initiative
Society (food)	Food safety and security	・ HACCP-compliant hygiene management
	Food waste reduction	・ Initiatives to reduce food waste in the dormitory residents' exclusive app (Domico) ・ Food waste reduction and recycling
	Health consciousness	・ Providing healthy meals ・ Children's Cafeteria
Governance	Strengthening governance	・ Development of governance structure ・ Promoting compliance ・ Implementation of harassment training

(3) Risk Management

The risk management related to sustainability within the Group is operated by the Board of Directors and its delegated Sustainability Promotion Committee. The committee is an organization that not only examines risk response policies and measures for material risks, but also discusses materiality and related policies to be addressed from the perspective of opportunities, with the aim of enhancing long-term corporate value. Specifically, the committee addresses measures such as response to environmental and social risks, planning governance policy, long-term growth strategy, social contribution, and "ESG disclosure. Through these discussions, the committee makes a comprehensive assessment of the magnitude of the financial impact on management.

(4) Indicators and Targets

1) Performance evaluation and management of risks and opportunities

Please refer to the following website of the Company for the main indicators that are managed and published in relation to materiality.
https://www.kyoritsugroup.co.jp/en/sustainability/esg/

2) Human resource-related indicators

For human resource-related indicators, please refer to "I Overview of the Company, 5 Information About Employees, (4) Ratio of Female Employees in Management Positions, Utilization Rate of Parental Leave by Male Employees, and Wage Gap Between Male and Female Employees." (available in Japanese only)
The Company actively promotes the promotion of women, with the target of increasing the percentage of women in management positions to 20% by the end of March 2028. As of March 31, 2025, the percentage of women in management positions was 17.4% (up 1.6 percentage points year-on-year). The utilization rate of parental leave by men was 56.7% (up 5.3 percentage points year-on-year).

2. Task Force on Climate-related Financial Disclosures (TCFD) Initiatives

Considering the significant impact of climate change issues on the Group's business development and the sustainability of society, the Group refers to the TCFD framework when conducting its information disclosure.

(1) Governance

1) Board of Directors supervision of climate change-related issues

The Group has integrated climate change into its governance process, and the Board of Directors, as the governing body for risk management, is involved in the process of managing climate change-related risks and opportunities. The Sustainability Promotion Committee, which is subordinate to the Board of Directors, plans, discusses, and makes decisions on climate change-related matters and manages and supervises efforts to address climate change.

2) Decisions on climate change-related issues

For a diagram of the governance structure, please refer to "II Overview of Business, 2 Approach and Initiatives for Sustainability, 1. Approach and Initiatives for Sustainability, (1) Governance."

The President receives reports on climate change-related issues from the Sustainability Promotion Committee, makes decisions (verifies and approves) on specific countermeasures and target management pertaining to climate change-related risks and opportunities as the chief executive officer, and reports to the Board of Directors twice a year.

(2) Strategies

1) Risks and opportunities

(Scenario analysis assumptions: Scenario descriptions, targets of analysis, timelines)

The Group has conducted scenario analyses for a future with high uncertainty due to the transition to a decarbonized society, considering the global warming scenarios of 1.5°C and 4°C compared to pre-industrial levels. These analyses target the Group's three main businesses (Dormitory, Hotel, and Senior Life) and consider events and their impacts across the entire supply chain.

Given the long-term nature of the impacts of climate change-related events, the Group has set out three time periods—short term (through 2026), medium term (through 2030), and long-term (through 2050).

Envisioned scenario	Adopted scenario	Scenario description	Target businesses	Envisioned timelines
1.5°C	IEA NZE SSP 1-1.9	Developed countries achieve net-zero CO_2 emissions by 2050 by expediting their introduction of energy-saving and electrification measures and renewable energy, hydrogen, bioenergy, and other forms of green energy	・Dormitory ・Hotel (Dormy Inn and resorts) ・Senior Life	Short term: Through 2026 Medium term: Through 2030 Long term: Through 2050
4.0°C	IEA STEPS SSP 5-8.5	Climate change progresses because, despite the reflection of climate change policy initiatives in individual countries' policies, fossil fuel-dependent development cannot be curtailed		

(Specific climate change-related risks and opportunities)

The Group has identified the transition risks and physical risks anticipated in each business under the 1.5°C and 4°C global warming scenarios and evaluated their financial impact over different time frames as "large," "medium," or "small." Notably, the Group has defined "large" financial impact as "1.5 billion yen or more," "medium" financial impact as "500 million yen or more but less than 1.5 billion yen," and "small" financial impact as "less than 500 million yen."

Risk and Opportunities in the 1.5°C Scenario

Perspective	Expected Events	Risks	Oppor-tunities	Expected Financial Impact	Businesses Affected				Anticipated Time Frame & Scale of Financial Impact		
					Dormitory	Dormy Inn	Resort	Senior Life	Short Term	Medium Term	Long Term
Policy and Legal	Taxation on greenhouse gas emissions, such as carbon taxes	✓		Carbon taxes levied according to greenhouse gas emissions (Scope 1 and 2)	✓	✓	✓	✓	–	Medium	Large
		✓		Rising prices for food, amenities, and equipment due to carbon taxes on business partners	✓	✓	✓	✓	–	Small	Medium
	Tighter regulations on food waste	✓		Reviewed cooking methods and new investments to reduce waste	✓	✓	✓	✓	–	Small	Medium
	Tighter regulations on plastic waste	✓		Supply chain disruptions due to traffic blockages preventing food and materials from being delivered, resulting in business suspension	✓	✓	✓	✓	–	Small	Medium
Technology	Improved production efficiency of renewable energy		✓	Traffic blockages preventing employees from commuting, resulting in business suspension	✓	✓	✓	✓	–	Small	Medium
	Improved efficiency of energy-saving equipment	✓	✓	Traffic blockages cutting people off and preventing deliveries of food, medical supplies, and the like, causing life-threatening situations	✓	✓	✓	✓	–	Small	Medium
Market	Shift in customer values due to growing climate crisis awareness and concerns	✓		Greenhouse gas emission reduction efforts appeal to customers choosing residences	✓			✓	Small	Small	Medium
Reputation	Increased climate change concerns among investors and job applicants	✓		Increased risk of heatstroke for customers, leading to behavioral changes and poorer health	✓	✓	✓	✓	Small	Medium	Medium

Risk and Opportunities in the 4°C Scenario

<table>
<tr><th rowspan="2">Perspective</th><th rowspan="2">Expected Events</th><th rowspan="2">Risks</th><th rowspan="2">Oppor-tunities</th><th rowspan="2">Expected Financial Impact</th><th colspan="4">Businesses Affected</th><th colspan="3">Anticipated Time Frame & Scale of Financial Impact</th></tr>
<tr><th>Dormitory</th><th>Dormy Inn</th><th>Resort</th><th>Senior Life</th><th>Short Term</th><th>Medium Term</th><th>Long Term</th></tr>
<tr><td rowspan="4">Acute</td><td rowspan="4">Increased frequency and expanded damage from typhoons, torrential rain, and the accompanying floods and landslides</td><td>✓</td><td></td><td>Facility damage leading to repair costs</td><td>✓</td><td>✓</td><td>✓</td><td>*</td><td>Small</td><td>Small</td><td>Medium</td></tr>
<tr><td>✓</td><td></td><td>Facility damage leading to business suspension</td><td>✓</td><td>✓</td><td>✓</td><td>*</td><td>Small</td><td>Small</td><td>Medium</td></tr>
<tr><td>✓</td><td></td><td>Supply chain disruptions due to traffic blockages preventing food and materials from being delivered, resulting in business suspension</td><td>✓</td><td>✓</td><td>✓</td><td>*</td><td>Small</td><td>Small</td><td>Medium</td></tr>
<tr><td>✓</td><td></td><td>Traffic blockages preventing employees from commuting, resulting in business suspension</td><td></td><td></td><td>✓</td><td></td><td>Small</td><td>Small</td><td>Medium</td></tr>
<tr><td rowspan="3">Chronic</td><td rowspan="3">Rising average temperature due to global warming</td><td>✓</td><td></td><td>Increased risk of heatstroke for customers, leading to behavioral changes and poorer health</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>–</td><td>Small</td><td>Medium</td></tr>
<tr><td>✓</td><td></td><td>Increased risk of heatstroke for employees, leading to changes in commuting and working styles</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>–</td><td>Small</td><td>Medium</td></tr>
<tr><td>✓</td><td></td><td>Increased air conditioning costs</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>–</td><td>Small</td><td>Medium</td></tr>
</table>

* In the Senior Life business, we have a policy of not building facilities in locations with high risk of disaster.

2) Climate-related financial impacts

The Group considers that the introduction of a carbon tax, which is assumed in the future, and fluctuations in prices, which are a prerequisite for the shift to renewable energy, will affect financial performance. For estimating the financial impact, the Group will focus on examining the costs associated with carbon tax, which is expected to have a significant impact, as well as the costs of introducing renewable energy and those resulting from natural disasters.

3) Countermeasures

The majority of the Group's greenhouse gas emissions are derived from the use of electricity and gas, and we believe that efficient energy use and a switch to renewable energy are important for reducing these emissions. For efficient energy use, we consider the replacement with energy-efficient equipment to be an effective means. Regarding renewable energy, we will continue to gather information and introduce renewable energy while looking at their cost-effectiveness. We are considering all of these initiatives from a long-term perspective and planning them systematically.

In addition, the Group will take measures against anticipated events from a medium- to long-term perspective under both the 1.5°C and 4°C scenarios. Therefore, we will formulate appropriate measures to avoid negative risks, while flexibly responding to positive opportunities and viewing them as growth opportunities for the Group.

(3) Risk Management

1) Identification and evaluation

The Group recognizes that climate change is an important issue for the survival of corporations and believes that responding appropriately to climate change, not only in terms of risks but also opportunities, will lead to sustainable growth. The Sustainability Promotion Committee, which is delegated by the Board of Directors, discusses these issues, comprehensively evaluates the financial impact on the Group's challenges and management from both the perspectives of significance and likelihood of occurrence, and determines priorities accordingly. The risks and opportunities in the Group's business are identified based on a comprehensive review of the Group's challenges, the requests and expectations of stakeholders, and the results of impact assessments of the environmental aspects of our business, and these will be managed and addressed in our future management plans.

2) Management

In response to a request from the Board of Directors, the Sustainability Promotion Committee discusses and approves various policies, targets, and measures related to sustainability, and reports to the Board of Directors.

3) Process

The Group believes that it is important to consider climate change from both perspectives of risk and opportunity. Therefore, we are not only monitoring climate change risks, but also evaluating them in terms of opportunities by strengthening cooperation among related departments and Group companies. The process is designed such that discussions and approvals are conducted by the Sustainability Promotion Committee, reported to the Board of Directors, and then instructions are issued to the relevant departments.

(4) Indicators and Targets

The Group has expressed its support for the TCFD recommendations and has set a target of reducing greenhouse gas emissions (Scope 1 + 2) to net zero by FY2050, and we will reduce greenhouse gas emissions. Regarding the greenhouse gas emissions reduction target, we aim to reduce Scope 1 and 2 greenhouse gas emissions by 46% to 44,063 t-CO_2 by the fiscal year ending March 31, 2030, compared to the fiscal year ended March 31, 2013. Our greenhouse gas emissions are as follows.

Greenhouse gas emissions from Kyoritsu Maintenance Co., Ltd. (t-CO_2)

	FY2022	FY2023	FY2024 (Preliminary figures)	FY2024/FY2023
Scope 1 (t-CO_2)	49,222	50,276	53,563	106.5%
Scope 2 (t-CO_2)	76,363	87,249	95,425	109.4%
Total (t-CO_2)	125,585	137,525	148,988	108.3%

* Emissions for the entire Group and Scope 3 are still being compiled.

Greenhouse gas emissions (Scope 1 + 2) in the fiscal year ended March 31, 2025 were 148,988 t-CO_2 (up 8.3% year-on-year). The main factors of the increase were the addition of new facilities and the increase in guests at existing facilities in the hotel business.

Greenhouse gas emissions from the hotel business (t-CO_2)

	FY2022	FY2023	FY2024 (Preliminary figures)	FY2024/FY2023
Scope 1 (t-CO_2)	39,672	43,142	46,884	108.7%
Scope 2 (t-CO_2)	57,461	70,075	77,517	110.6%
Total (t-CO_2)	97,133	113,217	124,400	109.9%

The greenhouse gas emissions for the Group's hotel business in the fiscal year ended March 31, 2025 was 124,400 t-CO_2 (an increase of 9.9% year-on-year). The main factors for the increase were the addition of new facilities and the rise in occupancy rates and increase in number of guests. For the fiscal year ended March 31, 2025, the occupancy rate was 85.2% (up 0.3 percentage points year-on-year), and the number of guests was 9,885 thousand (up 5.4% year-on-year). At existing facilities, although we achieved a certain degree of reductions in greenhouse gas emissions by carrying out planned renovation work and updating equipment to high-efficiency devices with high energy-saving effects, overall, there is a trend of increasing greenhouse gas emissions.

3. Initiatives for Human Capital

Since our foundation, one of our key management policies has been that "people are the key (human resources are the pillar of our business)," and our corporate management is rooted in understanding human resources (recruitment, development, and effective deployment), DEI, and respect for human rights as crucial issues and promoting these in a motivated, planned manner.

Going forward, we will continue to strengthen our investment in human resources while maximizing the power of people and power of organizations that serve as the source of value creation in an effort to increase corporate value in a sustainable manner.

(1) Policies for Human Resource Development and Internal Environmental Improvement

The Group is working to promote retention (prevention of job turnover) by enhancing our education systems and position-based training programs to maintain and improve service levels as part of its human resource development efforts. In addition, we are further strengthening our recruitment capabilities to respond to globalization and we are also committed to providing diverse growth opportunities and autonomous career support.

Specifically, we consider the knowledge and skills acquired through "on-the-job practice" as the foundation for growth. We believe it is important to strengthen core competencies through training and to elevate growth from the individual level to the larger organizational level.

In addition to the conventional perspective of skill improvement, we have introduced a specialist course that provides diverse growth opportunities, allowing employees to enhance their skills in specific tasks. We are also working on developing career support systems to maximize employees' strengths, such as qualification acquisition support programs, employee higher education support systems, and conducting career questionnaires.

(2) Diversity

The Group has set forth “Diverse workforce” as a materiality, and committed to creating a workplace environment where diverse values are respected and employees can work with peace of mind over the long term.

We have a target to increase the percentage of women in management positions to 20% by 2028, and as of March 31, 2025, it was 17.4% (up 1.6 percentage points year-on-year). As of April 1, 2025, the percentage of female employees among new hires was 73.4%. The Company has also expanded the coverage of the system for reduced working hours for childcare from children under 3 years old to those under 18 years old. Furthermore, the Group hires the necessary personnel regardless of age, gender, nationality, or other factors, whether they are new graduates or mid-career workers. In particular, foreign nationals accounted for 9.0% of new employees (as of April 1, 2025), and we have various support systems in place to ensure employees can thrive in diverse fields, irrespective of their racial or cultural differences.

The percentages of foreign nationals among the employees of the Company and major Group companies (including part-time workers) are as follows.

Percentage of foreign nationals among employees

	FY2022	FY2023	FY2024
Kyoritsu Maintenance Co., Ltd.	2.7%	4.1%	4.6%
Builnet Co., Ltd.	2.6%	4.7%	6.8%
Kyoritsu Foods Service Co., Ltd.	9.6%	10.4%	11.2%
Kyoritsu Solutions Co., Ltd.	0.2%	0.2%	0.1%

Although the percentage of foreign nationals among employees was on a downward trend due to the COVID-19 pandemic, the number of foreign nationals in the Group has recovered to 667 (up 19.5% year-on-year) as of the end of March 2025.

(3) Health and Safety

The Group implements a systematic recruitment and training plan for new graduates and mid-career hires and creates a health-conscious work environment by introducing staggered work hours and labor management based on a variable working hour system in accordance with the characteristics of businesses and occupations. During health checkups, we conduct stress checks using questionnaires. If an employee is determined to require an interview by a doctor based on the results, we take appropriate measures as needed. We also have established a compliance policy and a human rights policy that stipulate respect for human rights and diversity, and prohibit discrimination and harassment. Furthermore, we have mandated the prevention of harassment and other related matters, as well as disciplinary measures, in our work regulations. To promptly identify and resolve human rights issues and harassment, we have established a compliance hotline with an outside third party as the contact point. We ensure that all employees are well informed and work to prevent such issues by implementing new employee trainings, guidance for mid-career hires, trainings for newly appointed managers and so forth.

The Group is striving to ensure compliance with all relevant laws and regulations and to conduct appropriate health and safety management.