



## Consolidated Financial Results for FY2018

May 24, 2019

Takumi Ueda  
President



### Executive Summary

- **Reached the highest-ever profit**
  - ✓ Early recovered from natural disasters impact. Strong growth in hotel business by +10.6 oku yen/+ 14.9% vs.PY mainly driven by RevPAR increase vs. PY especially due to focusing on further improvement in customer satisfaction
  - ✓ Stable growth in dormitory business at high occupancy rate
  - ✓ The 9<sup>th</sup> straight year of the increased operating profit
  - ✓ Ahead of FY3/19 earnings forecast for operating profit and net profit which were revised up from original forecast
- **Raised FY3/19 dividend to 45 yen per share (projection) with +5 yen vs. PY/ +2 yen vs. forecast**
  - ✓ The 7<sup>th</sup> straight year of the increased annual dividend per share
  - ✓ FY3/19 dividend payout ratio 18.3% increased by 0.6pp vs. PY
  - ✓ Increase dividend payout ratio to more than 20% in FY3/22, the last year of FY3/18-FY3/22 mid-term management plan
- **FY3/20 financial forecast : Solid growth vs. FY3/19 in both revenue and profit**
  - ✓ Key drivers of FY3/20 growth are increase in available rooms of dormitories/hotels and ADR up in hotel business

## FY3/19 consolidated financial results vs. PY

## FY3/19 consolidated financial results and KPIs

(Unit: oku yen=100 MM yen)

	FY3/18	FY3/19	vs. PY	
	Act	Act		
Revenue	1,520.2	1,628.1	+107.9	+7.1%
Operating Profit	130.8	145.6	+14.8	+11.3%
Ordinary Profit	129.2	143.2	+13.9	+10.8%
Net Profit	87.7	95.6	+7.8	+9.0%
EPS(Yen)	225.9	245.4	+19.5	+8.7%

Capital Investments	213.8	174.8	-39.0	-18.3%
Depreciation Expense	44.2	47.5	+3.2	+7.4%
Cash Flow*	132.0	143.2	+11.1	+8.5%
DPS(Yen)	40.0	45.0	+5.0	+12.5%
DPR	17.7%	18.3%	+0.6pp	-
ROE	12.9%	12.6%	-0.3pp	-
Net D/E Ratio	0.9x	0.8x	-0.0x	-

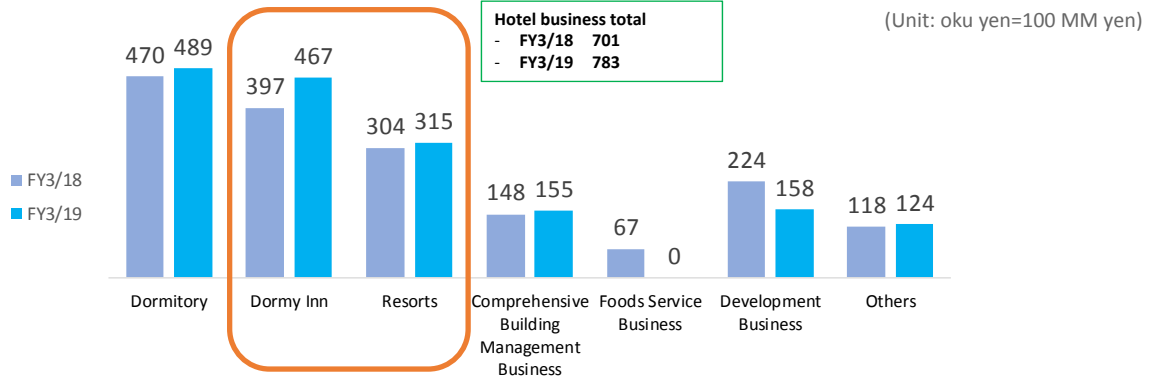
\* Net profit + Depreciation expense

### Key growth drivers vs. PY

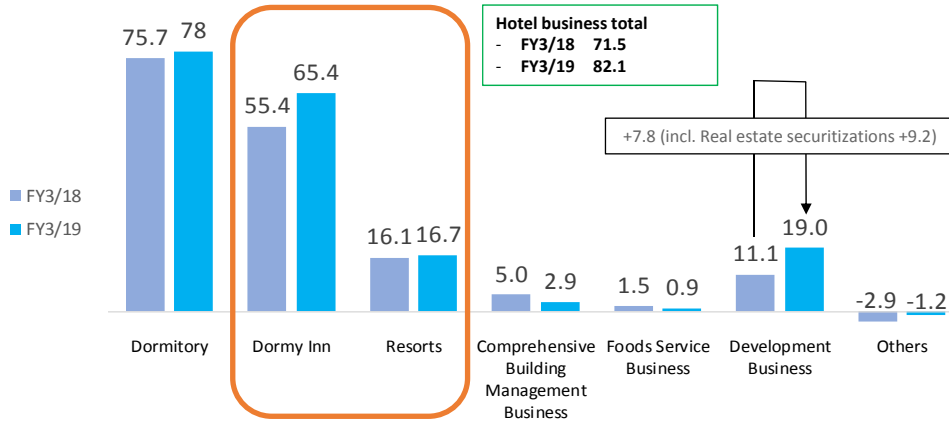
- Revenue +107.9 oku yen or +7.1%**  
 Mainly driven by robust growth in Dormy Inn business and other key businesses
  - Dormy Inn business +70 oku yen or +17.7%
  - Dormitory business +18 oku yen or +4.0%
  - Resort business +11 oku yen or +3.7%
- Operating Profit +14.8 oku yen or +11.3%**  
 Mainly driven by
  - Steady growth in Dormitory business continuously
  - Robust growth in Dormy inn business by increase in RevPAR
- Ordinary Profit +13.9 oku yen or +10.8%**
- Net Profit +7.8 oku yen or +9.0%**

## FY3/19 Revenue and Operating profit by business segment

### Revenue



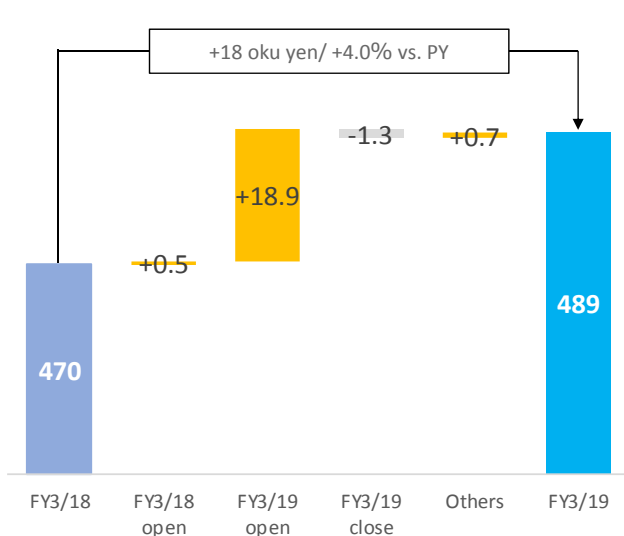
### Operating Profit



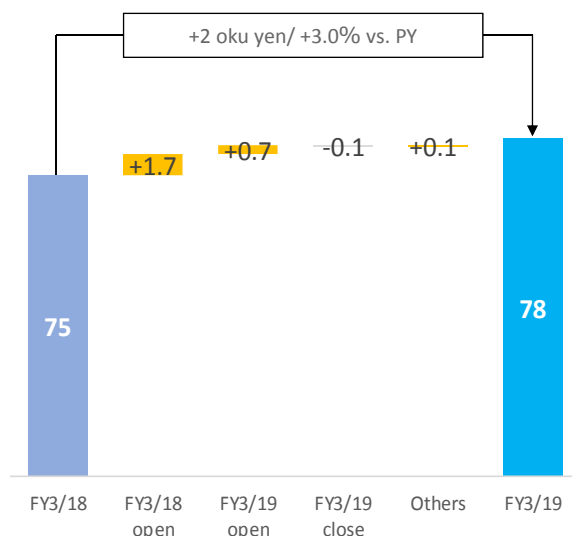
## Dormitory Business: FY3/19 Revenue and Operating profit

(Unit: oku yen=100 MM yen)

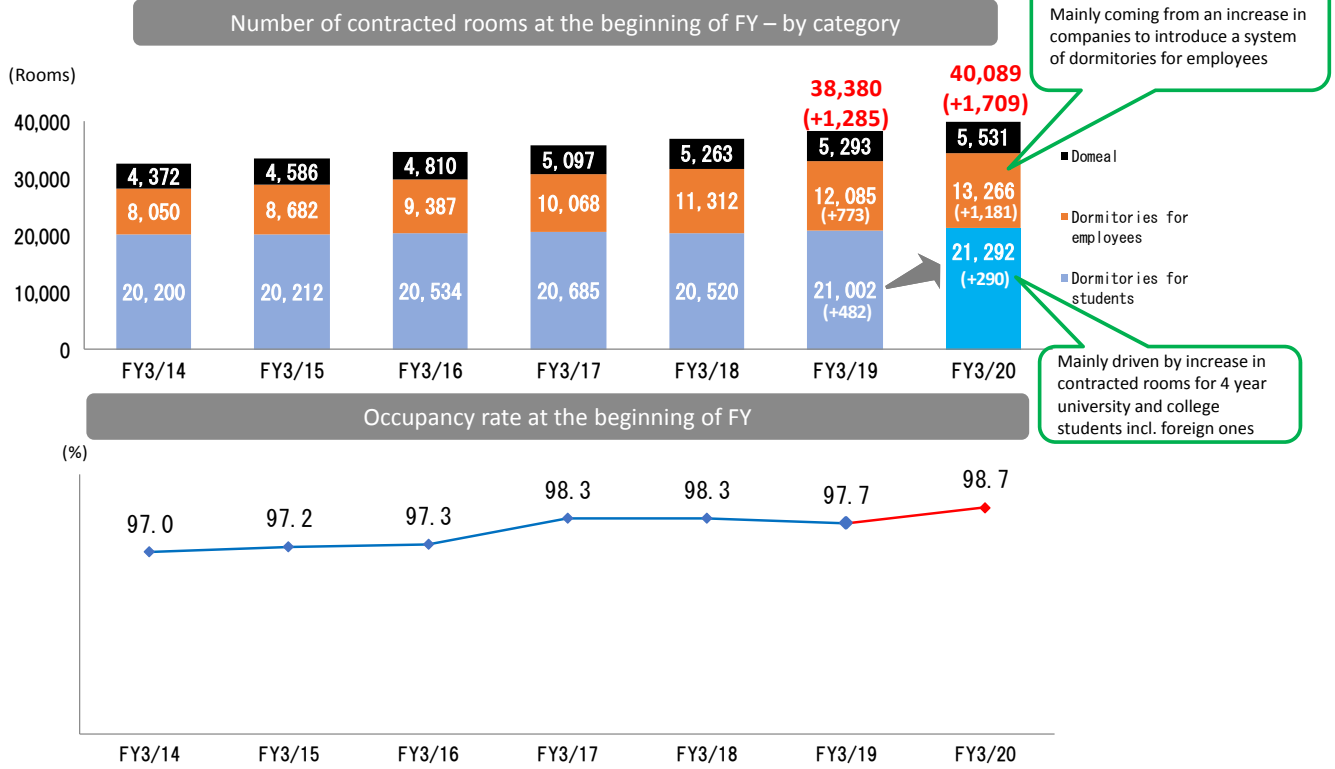
### Revenue



### Operating Profit

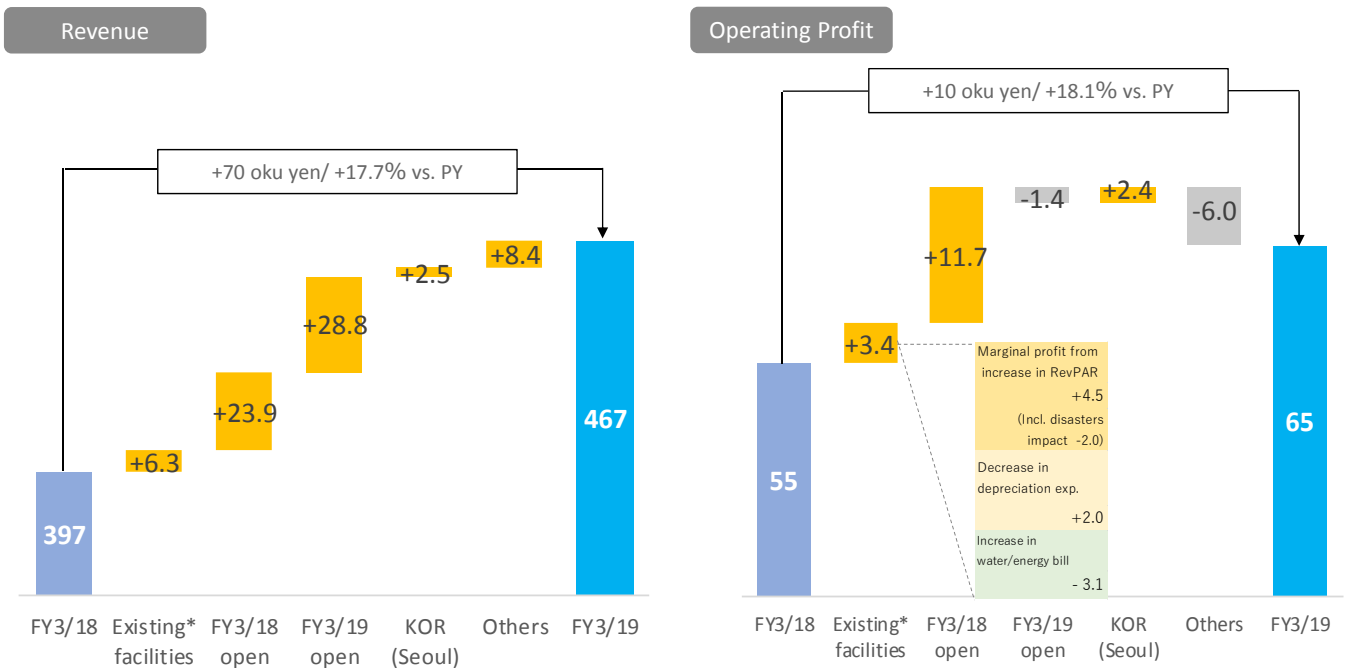


## Dormitory Business: Number of contracted rooms and occupancy rate at the beginning of FY (Historical data)



## Dormy Inn Business : FY/19 Revenue and Operating profit

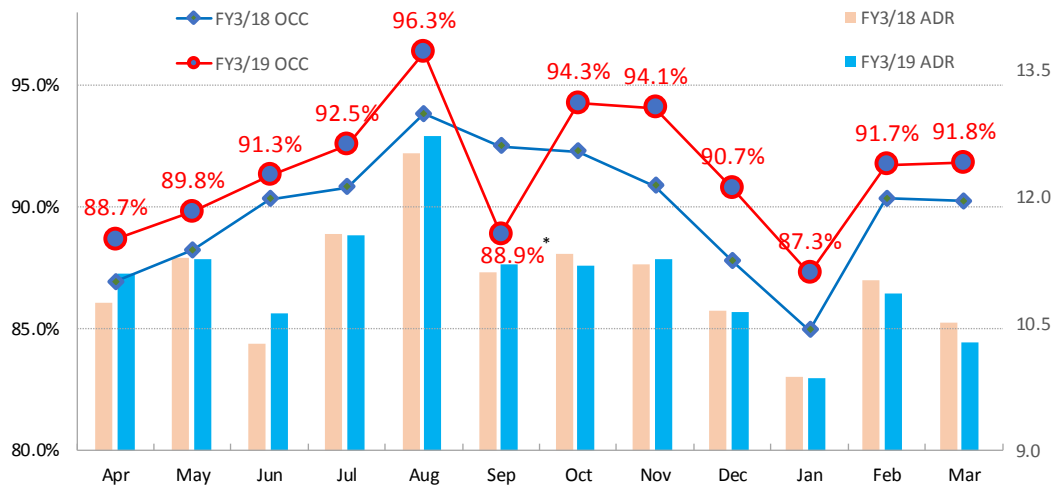
(Unit: oku yen=100 MM yen)



## Dormy Inn Business: FY3/19 Occupancy rate and ADR

Occupancy rate and ADR data by month

(Unit: thousand yen)



OCC						ADR					
	Q1	Q2	Q3	Q4	Full year		Q1	Q2	Q3	Q4	Full year
FY3/2018	88.5%	92.4%	90.3%	88.4%	89.9%	FY3/2018	10.8	11.7	11.1	10.5	11.0
FY3/2019	89.9%	92.6%	93.0%	90.2%	91.5%	FY3/2019	11.0	11.8	11.0	10.3	11.1
vs. PY	+1.4%	+0.3%	+2.7%	+1.8%	+1.6%	vs. PY	+0.2	+0.1	-0.0	-0.1	+0.1

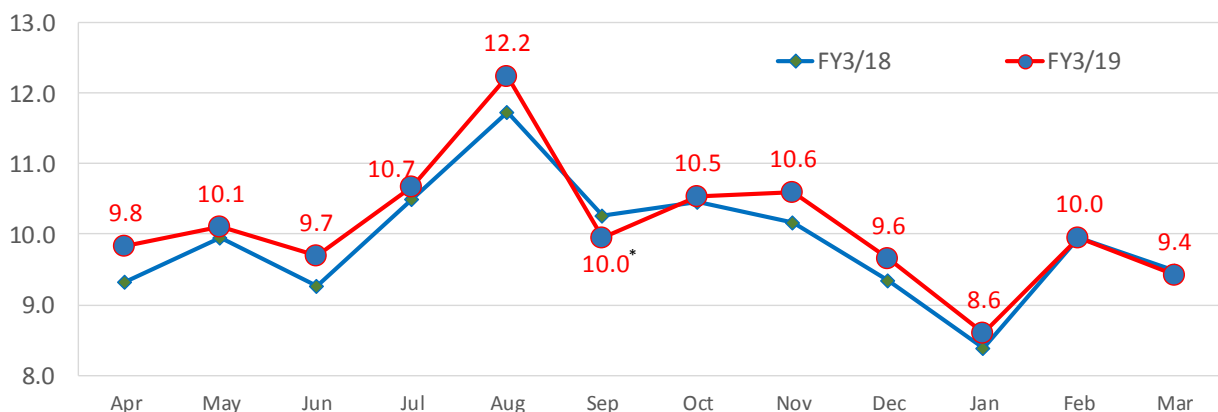
\* In Sep 2018, Hokkaido earthquake and Typhoon No.21 occurred

(Note) Above figures are excl. the impact of facilities that have been opened on and after April 1, 2017 to compare 2 periods of occupancy rate and ADR on a common basis

## Dormy Inn Business: FY3/19 RevPAR

RevPAR data by month

(Unit: thousand yen)



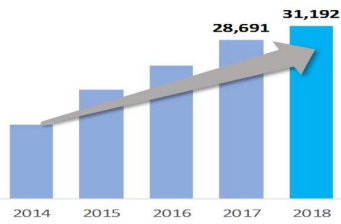
RevPAR					
	Q1	Q2	Q3	Q4	Full year
FY3/2018	9.5	10.8	10.0	9.2	9.9
FY3/2019	9.9	11.0	10.3	9.3	10.1
vs. PY	+0.4	+0.1	+0.3	+0.1	+0.2

\* In Sep 2018, Hokkaido earthquake and Typhoon No.21 occurred

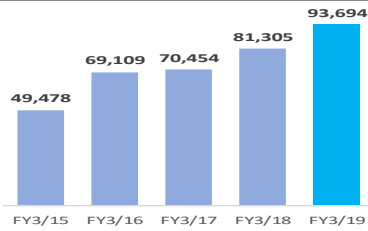
(Note) Above figures are excl. the impact of facilities that have been opened on and after April 1, 2017 to compare 2 periods of RevPAR on a common basis

## Dormy Inn Business: Related data of inbound tourism

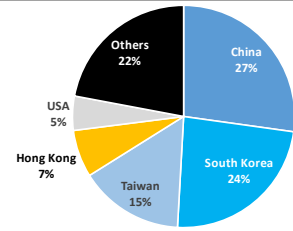
The number of inbound tourism  
(Unit: Thousand people)  
- Data Source: JINTO



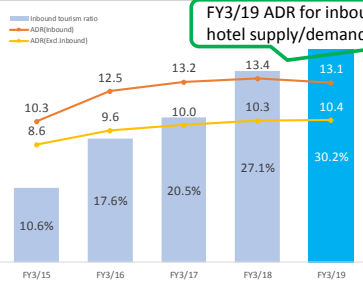
The number of inbound hotel guests  
(Unit: Thousand people)  
- Data Source: Japan Tourism Agency



Share by country in inbound tourism – FY3/19  
- Data Source: JINTO

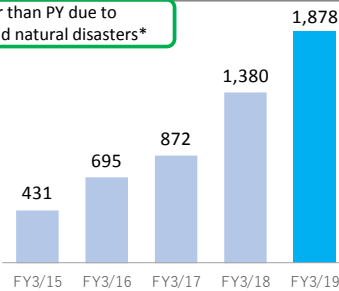


Ratio of inbound tourism and ADR for inbound tourism  
(Unit: Thousand yen)  
- Dormy Inn

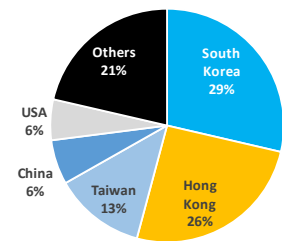


FY3/19 ADR for inbound tourism lower than PY due to hotel supply/demand in Osaka area and natural disasters\*

The number of inbound hotel guests  
(Unit: Thousand people)  
- Dormy Inn



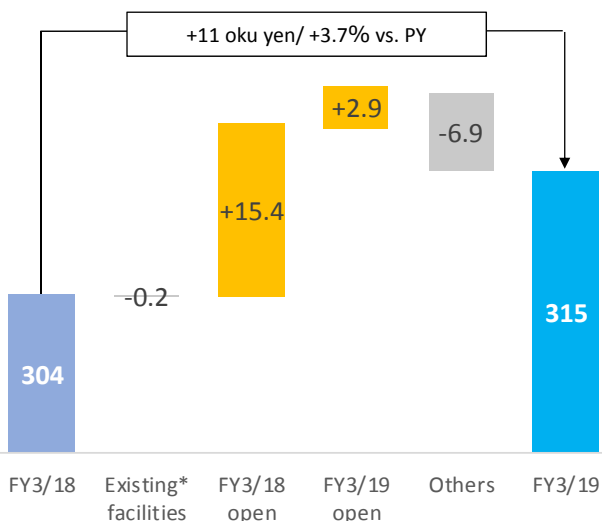
Share by country in inbound tourism – FY9/17  
- Dormy Inn



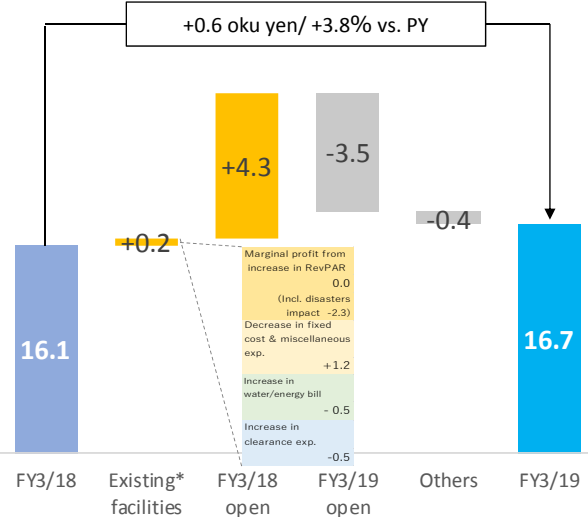
## Resort Business: FY3/19 Revenue and Operating profit

(Unit: oku yen=100 MM yen)

Revenue



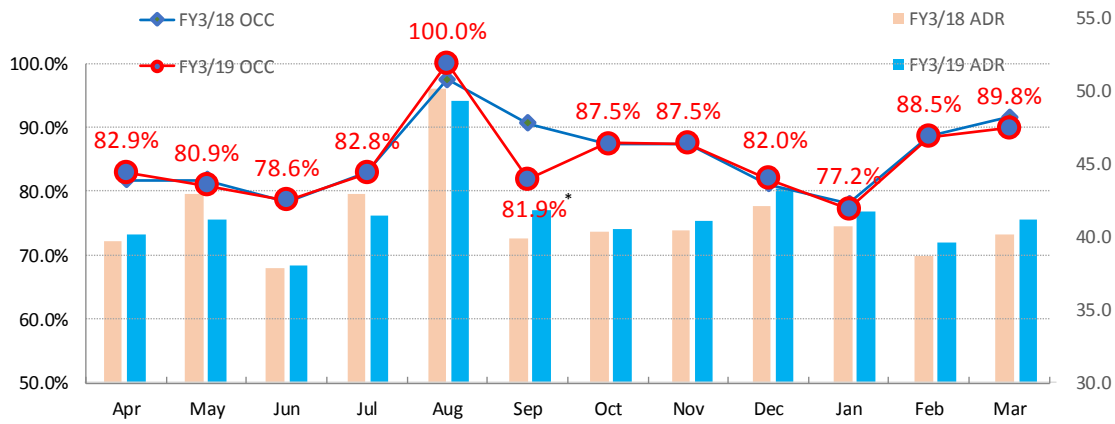
Operating Profit



## Resort Business: FY3/19 Occupancy rate and ADR

Occupancy rate and ADR data by month

(Unit: thousand yen)



OCC						ADR					
	Q1	Q2	Q3	Q4	Full year		Q1	Q2	Q3	Q4	Full year
FY3/2018	80.6%	90.3%	85.3%	86.0%	85.6%	FY3/2018	40.2	44.5	41.0	39.8	41.5
FY3/2019	80.8%	88.3%	85.6%	85.1%	85.0%	FY3/2019	39.8	44.6	41.6	40.8	41.8
vs. PY	+0.2%	-2.0%	+0.3%	-0.9%	-0.6%	vs. PY	-0.4	+0.0	+0.6	+1.0	+0.3

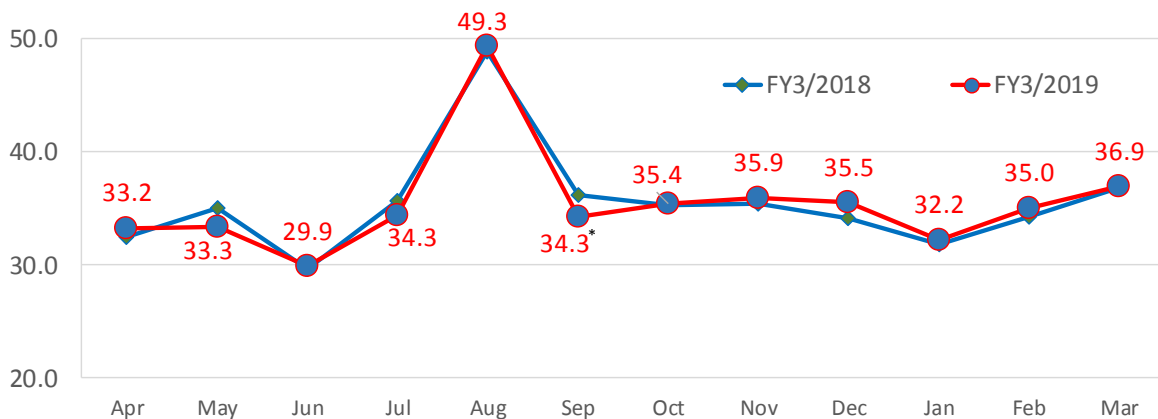
\* In Sep 2018, Hokkaido earthquake and Typhoon No.21 occurred

(Note) Above figures are excl. the impact of facilities that have been opened on and after April 1, 2017 to compare 2 periods of occupancy rate and ADR on a common basis

## Resort Business: FY3/19 RevPAR

RevPAR data by month

(Unit: thousand yen)

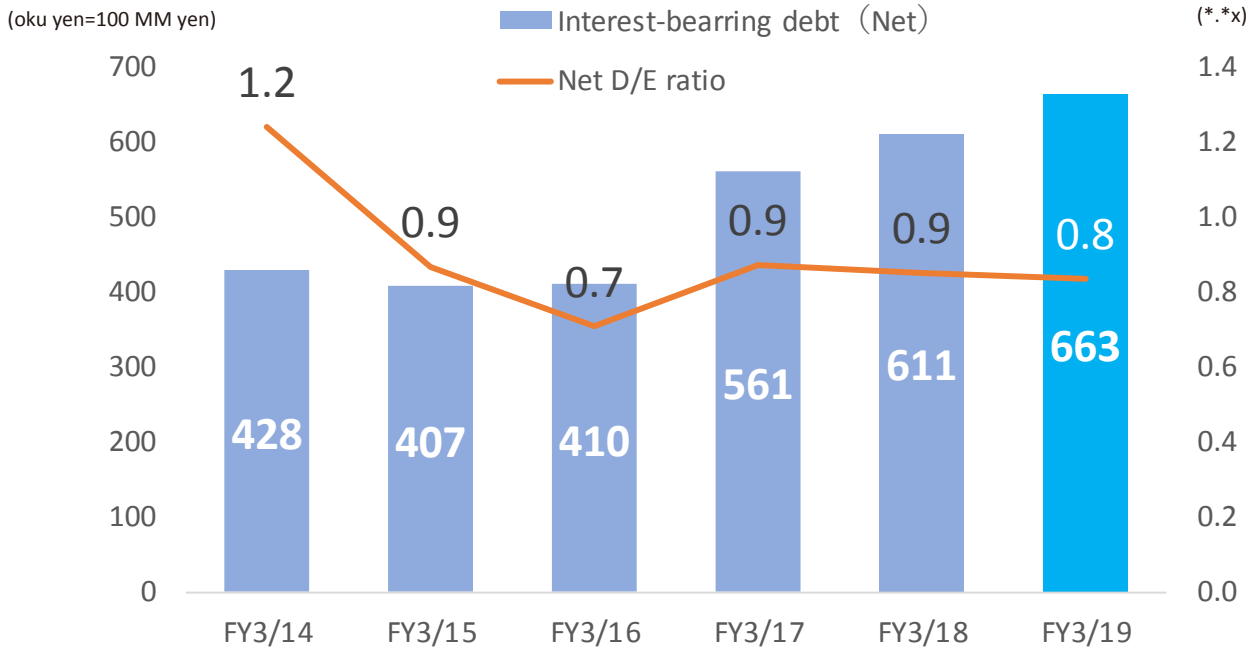


RevPAR					
	Q1	Q2	Q3	Q4	Full year
FY3/2018	32.4	40.2	34.9	34.3	35.5
FY3/2019	32.2	39.4	35.6	34.7	35.5
vs. PY	-0.3	-0.9	+0.7	+0.5	+0.0

\* In Sep 2018, Hokkaido earthquake and Typhoon No.21 occurred

(Note) Above figures are excl. the impact of facilities that have been opened on and after April 1, 2017 to compare 2 periods of RevPAR on a common basis

## Interest-bearing debt and Net D/E ratio



## FY3/20 Consolidated Financial Forecast



## FY3/20 Consolidated Financial Forecast and KPIs

(Unit: oku yen=100 MM yen)

	FY3/19	FY3/20	vs. PY	
	Act	Forecast		
Revenue	1,628.1	1,830.0	+201.8	+12.4%
Operating Profit	145.6	157.0*	+11.3	+7.8%
Ordinary Profit	143.2	154.0	+10.7	+7.5%
Net Profit	95.6	102.0	+6.3	+6.6%
EPS(Yen)	245.4	261.6	+16.1	+6.6%

Capital Investments	174.8	153.4	-21.4	-12.3%
Depreciation Expense	47.5	50.0	+2.4	+5.0%
Cash Flow*	143.2	152.0	+8.7	+6.1%
DPS (Yen)	45	47	+2.0	+4.4%
DPR	18.3%	18.0%	-0.4pp	-

\* Net profit + Depreciation expense

\* Incl. negative impact of 14.5 oku yen vs. PY – opening expense +4.5 oku yen, huge renewal expense, etc. +8.0 oku yen and system modification fee +2.0 oku yen for customer satisfaction improvement

### Key assumptions in FY3/20 Forecasts

#### Dormitory Business

- Occupancy rate at the beginning of FY3/20: 98.7%, +1.0pp vs. PY
- Number of contractors at the beginning of FY3/20: 40,089, +4.5% vs. PY

#### Dormy Inn Business

- Number of hotels/rooms planned to open in FY3/20:
  - 8 hotels/ 1,842 rooms (+13.9%)
- RevPAR (thousand yen): 10.3, +3.0% vs. PY

#### Resort Business

- Number of hotels/rooms planned to open in FY3/20:
  - 3 hotels/ 241 rooms (+9.2%)
- RevPAR (thousand yen): 36.7, +4.8% vs. PY

## FY3/20 Underlying growth of Revenue and Operating Profit (vs. PY)

(Unit: oku yen=100 MM yen)

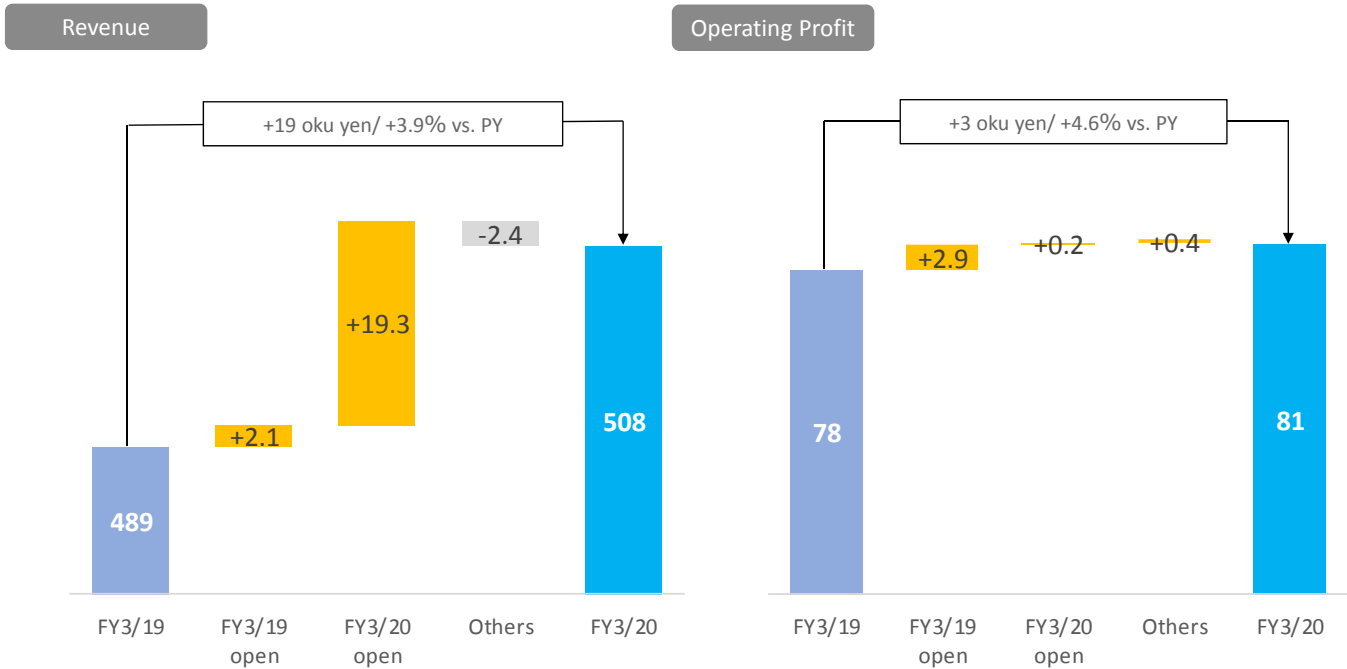
FY3/19 Act      FY3/20 Forecast      vs.PY

Reported Revenue	1,628.1	1,830.0	+201.8	+12.4%
-) Real estate securitizations	-82.0	-106.9	-24.8	
<b>Underlying Revenue (excl. above item)</b>	<b>1,546.0</b>	<b>1,723.0</b>	<b>+176.9</b>	<b>+11.4%</b>

Reported Operating Profit	145.6	157.0	+11.3	+7.8%
+ ) Opening expense	+18.6	+23.1	+4.5	+24.1%
+ ) Negative impact due to huge renewal	+2.9	+10.9	+8.0	+274.1%
+ ) System modification fee	-	+2.0	+2.0	-
<b>Total of above special factors</b>	<b>+21.6</b>	<b>+36.1</b>	<b>+14.5</b>	<b>+67.1%</b>
<b>Operating Profit excl. special factors</b>	<b>167.2</b>	<b>193.1</b>	<b>+25.8</b>	<b>+15.4%</b>
-) Real estate securitizations	-12.0	-13.0	-0.9	
<b>Underlying Operating Profit (excl. above items)</b>	<b>155.2</b>	<b>180.0</b>	<b>+24.8</b>	<b>+16.0%</b>

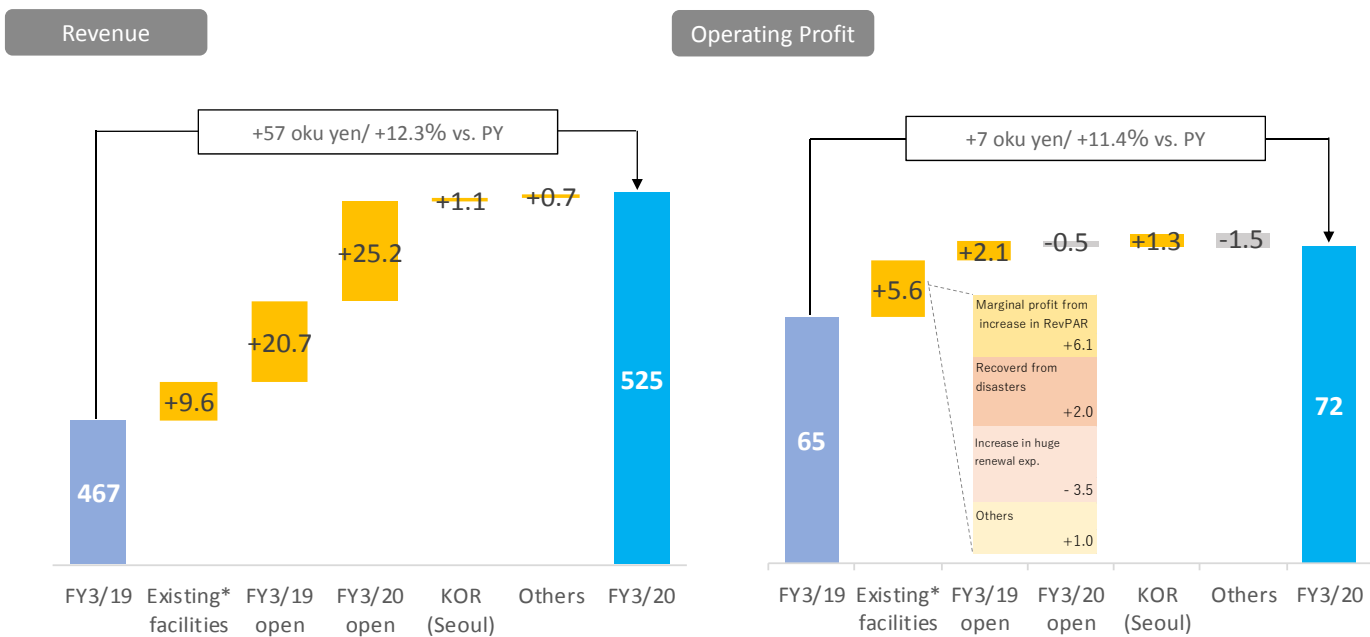
## FY3/20 Dormitory Business: Revenue and Operating Profit

(Unit: oku yen=100 MM yen)



## FY3/20 Forecast - Dormy Inn Business: Revenue and Operating Profit

(Unit: oku yen=100 MM yen)

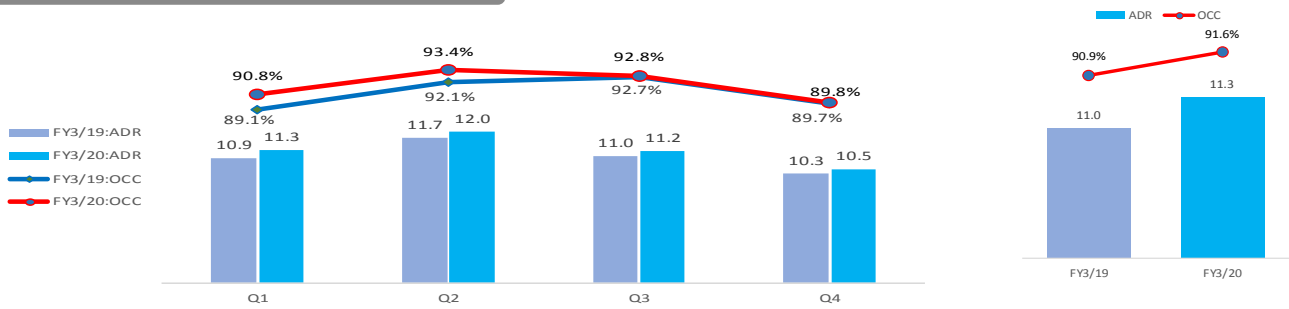


\* At the end of March, 2018

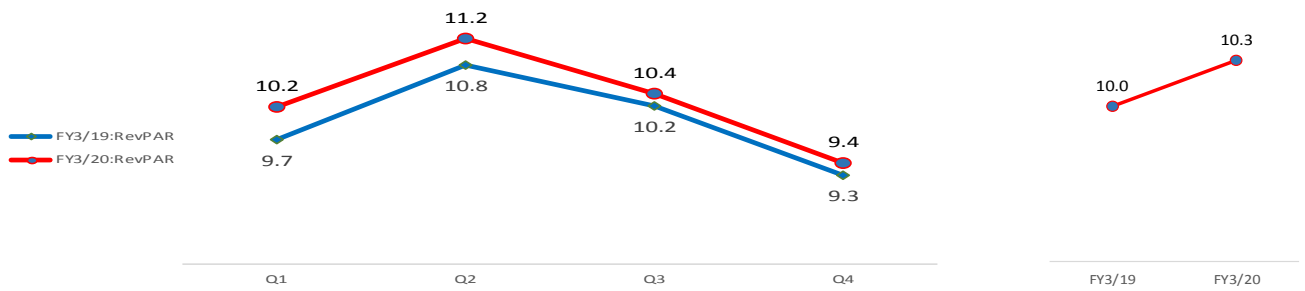
## FY3/20 Forecast - Dormy Inn Business: Occupancy rate, ADR and RevPAR

(Unit: thousand yen)

Occupancy rate and ADR estimate by quarter vs. PY



RevPAR estimate by quarter vs. PY

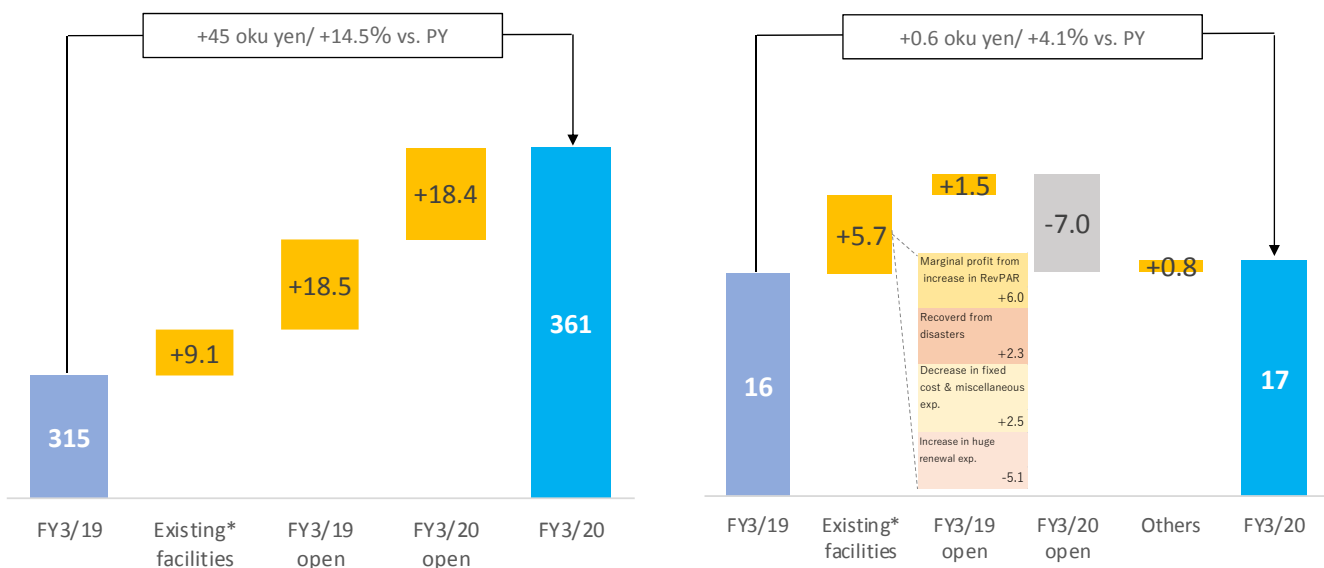


## FY3/20 Forecast - Resort Business: Revenue and Operating Profit

(Unit: oku yen=100 MM yen)

Revenue

Operating Profit

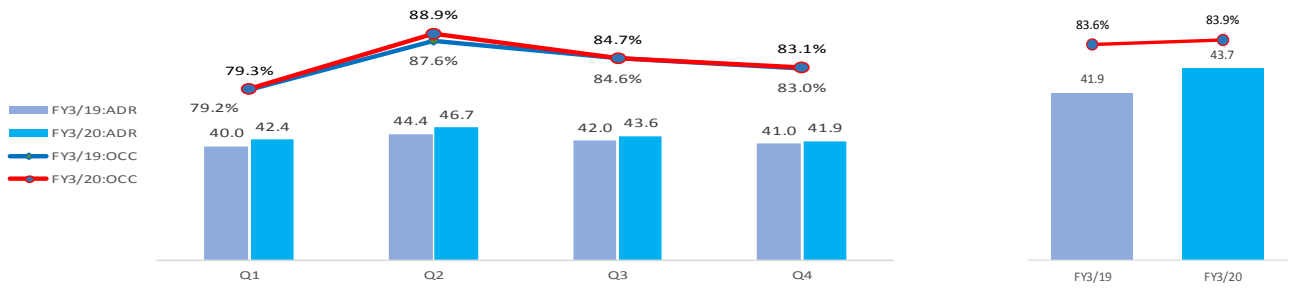


\* At the end of March, 2018

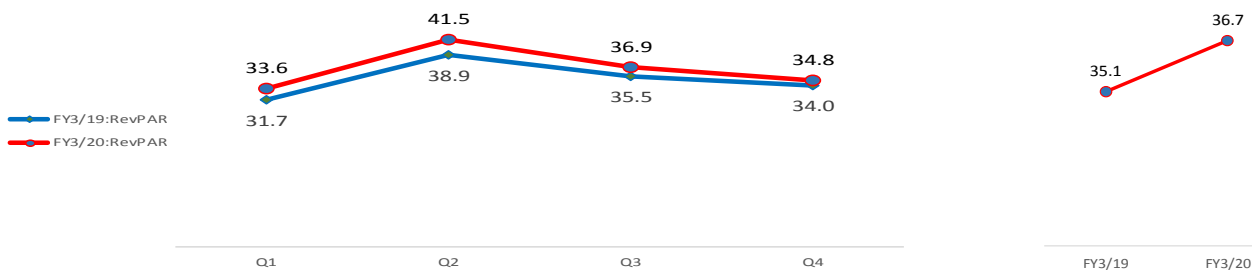
## FY3/20 Forecast - Resort Business: Occupancy rate, ADR and RevPAR

Occupancy rate and ADR estimate by quarter vs. PY

(Unit: thousand yen)



RevPAR estimate by quarter vs. FY18 Act

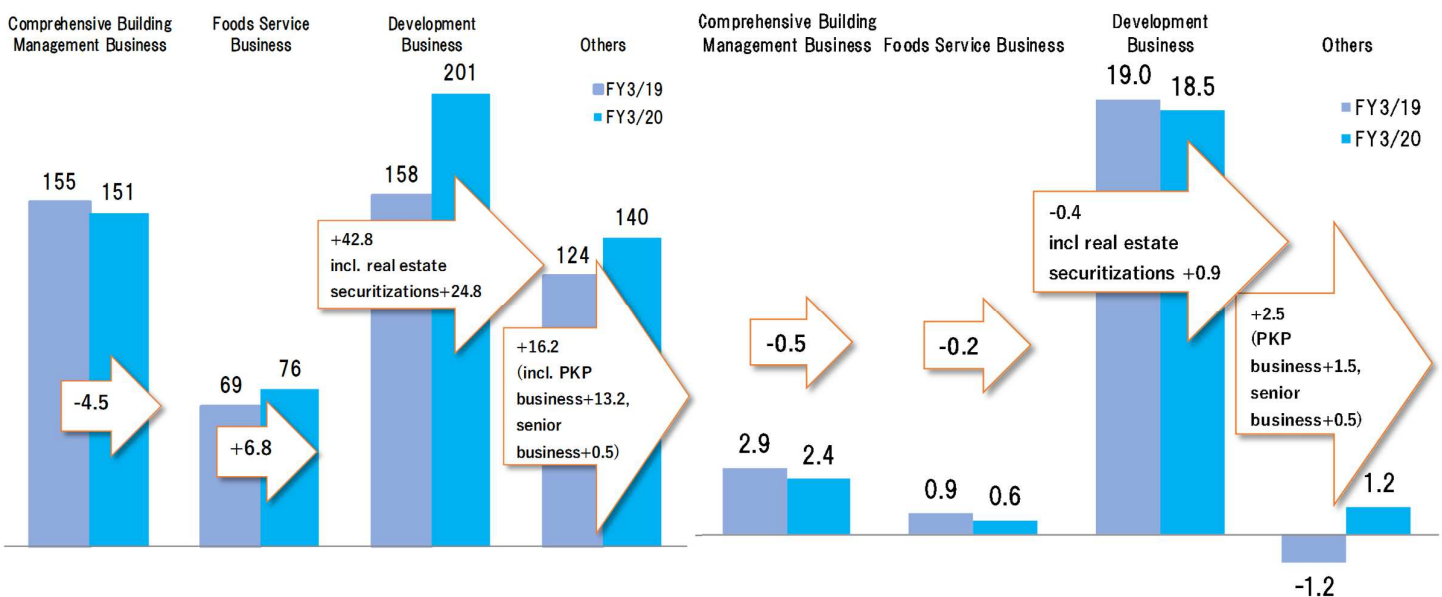


## FY3/20 Forecast - Other Business: Revenue and Operating

Revenue: +12.1% vs. PY

Operating Profit : +6.2% vs. PY

(Unit: oku yen=100 MM yen)



# Progress in Mid-term Management Plan (FY3/18-FY3/22)

## Key quantitative targets of mid-term management plan and progress report

Name of MMP **Kyoritsu Jump Up Plan**

Outline

### 1. Customer satisfaction improvement

- Produce products and services that lead to better customer satisfaction, raise customers' assessment of the Company and get greater trust

### 2. Advanced development

- Expand business bases and build a solid business foundation

### Key Quantitative Targets / Development Plan

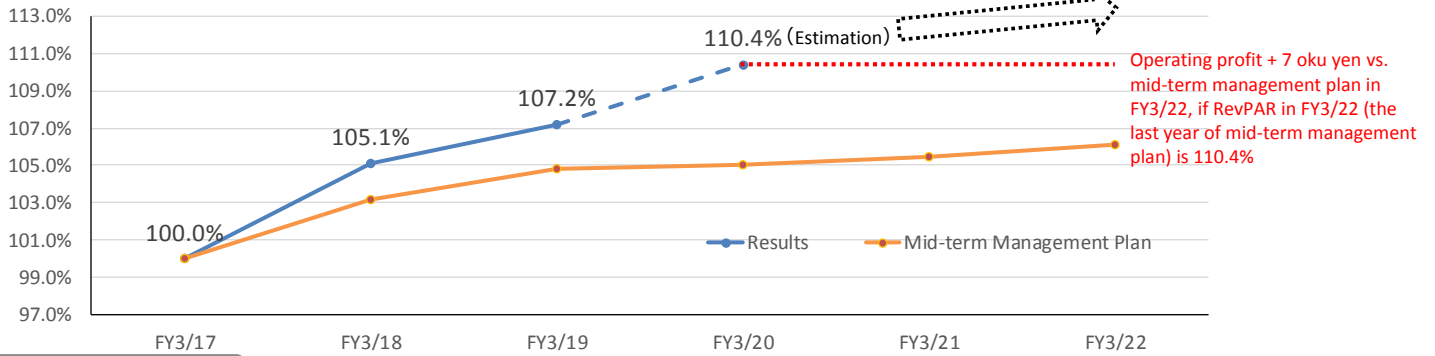
Key Quantitative Targets	Starting FY for Mid-term Management Plan (FY3/17)	Progress at the end of FY3/17	Final FY of Mid-term Management Plan (FY3/22)
Revenue	1,358 oku yen	1,628 oku yen(CAGR: +10%)	2,200 oku yen(CAGR: +10%)
Operating Profit	118 oku yen	146 oku yen(CAGR: +11%)	190 oku yen(CAGR: +10%)
Net D/E Ratio	0.9x	0.8x	Maintain lower than 1.0x for securing financial health
DPR	16.8%	18.3% - projection	Advance gradually to more than 20%
ROE	11.7%	12.6%	More than 10%

Development Plan	Starting point for Mid-term Management Plan (At the end of Mar. 2017)	Progress at the end of FY3/17 (FY3/18 - FY3/19 cumulative)	Final FY of Mid-term Management Plan (At the end of Mar. 2022)
Dormitory	37,000 rooms	- Opened: 2,743 rooms - Already decided: Around 4,600 rooms (Progression rate: 66%)	7,000 rooms
Dormy Inn	9,800 rooms	- Opened: 3,109 rooms - Already decided: Around 8,900 rooms (Progression rate: 99%)	9,000 rooms
Resort	2,200 rooms	- Opened: 424 rooms - Already decided: Around 1,250 rooms (Progression rate: 89%)	1,400 rooms

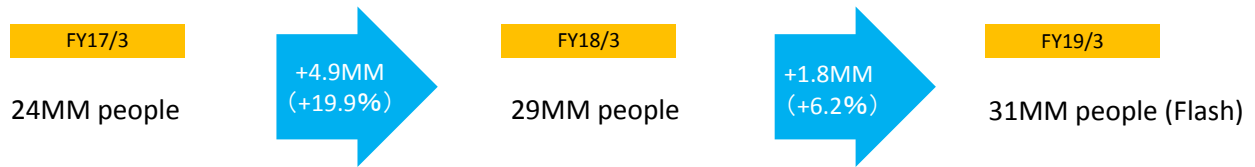
# Dormy Inn Business: RevPAR exceeding mid-term management plan across the board

RevPAR



Operating profit + 700 yen vs. mid-term management plan in FY3/22, if RevPAR in FY3/22 (the last year of mid-term management plan) is 110.4%

Visitors arrivals



# Development plan of dormitories and hotels leading to sustainable growth

Development Plan

	FY3/18 Results		FY3/19 Results		FY3/20 Plan		FY3/21 Plan		FY3/22 Plan	
<b>Dormitory</b>	+10 facilities*	+963 rooms*	+15 facilities*	+1,852 rooms*	+14 facilities*	+1,506 rooms*	+5 facilities*	+416 rooms*		
FY3/17: 463 facilities /37,000 rooms	Available facilities 473 facilities	Lease ratio 88.5%	Available facilities 485 facilities	Lease ratio 88.5%	Available facilities 494 facilities	Lease ratio 88.2%	Available facilities 497 facilities	Lease ratio 88.2%	Available facilities 497 facilities	Lease ratio 88.2%
MTMP**9,000 rooms	Available rooms 38,166 rooms		Available rooms 39,450 rooms		Available rooms 40,666 rooms		Available rooms 40,984 rooms		Available rooms 40,984 rooms	
→Already decided Around 4,600 rooms Progression rate 66%	Noda ANNEX, [L]Senjunakamachi, [L]Tsunashimaekimae, Higashiosaka, [L]Maehama, [L]Minamikoshigaya, [L]Irinaka II, [L]Koroen etc.	[L]Waseda, [L]Hikifune, [L]Keiotsunashima, [L]Tsurugashima, Omoromachi, [L]Kaihinmakuhari, [L]Tokorozawa, [L]Hakataekiminami II, [L]Kokuraekimae etc.	[L]Sendaihigashiguchi V, [L]Motoyama, [L]Kobe, [L]Osakatenmangu, [L]Kagoshima, [L]Ichigaya, Meidai global village, [L]Komagome, [L]Setagayatodoroki etc.	[L]Sapporokita, [L]Sapporoeikihigashi, [L]Nippori, [L]Sendaihigashiguchi, [L]Nagoyanishin						
<b>Dormy Inn</b>	+9 facilities	+1,571 rooms	+9 facilities*	+1,530 rooms*	+8 facilities	+1,842 rooms	+11 facilities	+2,437 rooms	+7 facilities	+1,581 rooms
FY3/17: 64 facilities /10,200 rooms	Available facilities 72 facilities	Lease ratio 98.8%	Available facilities 80 facilities	Lease ratio 98.9%	Available facilities 88 facilities	Lease ratio 99.1%	Available facilities 99 facilities	Lease ratio 99.2%	Available facilities 106 facilities	Lease ratio 99.3%
MTMP**9,000 rooms	Available rooms 11,811 rooms		Available rooms 13,248 rooms		Available rooms 15,090 rooms		Available rooms 17,527 rooms		Available rooms 19,108 rooms	
→Already decided Around 8,900 rooms Progression rate 99%	[L]PREMIUM Kanda, [L]Miyazaki, [L]GLOBAL CABIN Suidobashi, [L]Kofumarunouchi, [L]Izumo, [L]EXPRESS Sendai-Seaside, [L]Nono Nara, [L]Kochi, [L]Matsuyama	[L]Honhachinabe, [L]Osakatanimachi, [L]Korakuen, [L]Itoita, [L]GLOBAL CABIN Hamamatsu, [L]GLOBAL CABIN Yokohamachukagat, [L]Takamatsuchuokoenmae, [L]PREMIUM Namba ANNEX, [L]PREMIUM Osakakitahama	[L]Maebashi, [L]Fukui, [L]Morioka, [L]Nono Asakusa, [L]Kawasaki, [L]Furano, [L]Mito, [L]Nono Kanazawa	[L]Nono Kyotoshichijo, [L]Kobe, [L]PREMIUM Ginza, [L]Ikebukuro, [L]Nagasakiekimae, [L]Teohashi, [L]Nono Asakusabettei, [L]Gotenba, [L]Nono Matsue, [L]Yokohama, [L]Fukuyama	[L]Nono Matsumoto, [L]Nono Sendai, [L]Tokyo bay (Toyosu), [L]Hiroshima ANNEX, [L]Nono Yodoyabashi, [L]Okayama, [L]Nono Kumamoto					
<b>Resorts</b>	+4 facilities	+253 rooms	+2 facilities	+171 rooms	+3 facilities	+241 rooms	+6 facilities	+418 rooms	+2 facilities	+174 rooms
FY3/17: 24 facilities /2,200 rooms	Available facilities 29 facilities	Lease ratio 58.7%	Available facilities 31 facilities	Lease ratio 60.2%	Available facilities 34 facilities	Lease ratio 61.7%	Available facilities 40 facilities	Lease ratio 65.6%	Available facilities 42 facilities	Lease ratio 71.9%
MTMP**1,400 rooms	Available rooms 2,478 rooms		Available rooms 2,649 rooms		Available rooms 2,890 rooms		Available rooms 3,308 rooms		Available rooms 3,482 rooms	
→Already decided Around 1,250 rooms Progression rate 89%	Keiun (Izumo), Tsukivo no Usagi (Izumo), [L]Le Chien Kyu-Karuizawa, [L]Suiun (Gora)	[L]La Vista Kirishima (Kagoshima), [L]Shirakawago (Gifu)	[L]Echigoyuzawa (Niigata), [L]Kotohira (Kagawa), Inazumi (Akita)	[L]La Vista Kusatsu (Gunma), [L]Nasushiobara Rengetsu (Tochigi), [L]Wakuraonsen (Ishikawa), Kikyubettei Suigetsu (Shizuoka) etc.	[L]La Vista Hakodate bay ANNEX etc.					
<b>Lease ratio (Total)</b>	89.4%		89.7%		89.7%		90.1%		90.7%	

\* The number of increase in development facilities/rooms (not available facilities/rooms at the end of FY) \*\* Mid-term Management Plan

(Note) Red-highlighted parts mean the development facility with higher inbound ratio than our average. Underlined parts mean the developing facilities for sales and lease back of real estate not only complied with but also planned. [L] parts mean the facilities for lease.

## Stable hiring of personnel

	April 2019	April 2020	April 2021
Hiring of new graduates	296(Act)	300(Plan)	300~320(Plan)
	Comprehensive work: 31 Hotel: 260 Senior Life Business: 5	Comprehensive work: 22 Hotel: 270 Senior Life Business: 8	Comprehensive work: 20 Hotel: 290 Senior Life Business: 10

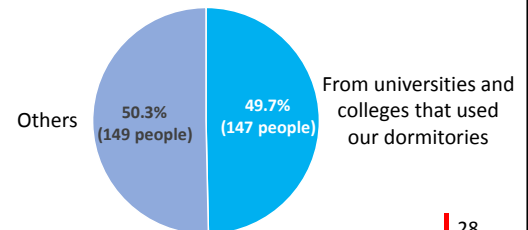
Incl. foreign students: 57  
(Nepal, Vietnam, China, Republic of Korea)

No restriction on the number of foreigners hired  
Hiring talented foreigners actively

Hiring route

We can get universities and colleges to introduce many graduates to us with good relationship that we have been building through our dormitory business with them

Breakdown of new employees in April 2019



## Awareness of our company

■ Distributed corporate TV commercials to live broadcasting of the Hakone Ekiden and Izumo Ekiden – undoubtedly one of the well-known Ekiden races held in Japan

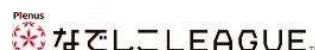
■ Distributed corporate radio commercials to TBS radio through the program we sponsored

■ Distributed TV commercials of Kyoritsu Resort “La Vista” in Hokkaido area and Kyushu area



■ Acting as an official sponsor of the Japan Women’s Football League in 2019,

We have signed an official sponsorship agreement with the “Nadeshiko League”, where strong and healthy women shine brightly. We will eagerly support popularization activities meant to convey dreams of achievement and feelings of inspiration from the hard-playing athletes in the “Nadeshiko League” to as many people as possible.



■ Enhancement of IR activities – participating in various IR events

- IR activities for domestic investors: Some briefing sessions for individual and institutional investors, participating in IR fairs and one-on-one meeting with investors, etc.
- IR activities for overseas investors: IR Road Show, participating in some IR conferences - 5 times in FY3/19

## Further improvement in customer satisfaction

### ■ Setting up and enhancement of comprehensive customer network

- Utilization of comprehensive customer database that leads to very kind hospitality
  - ✓ Customer data makes it possible to provide each customer with higher-quality service
  - ✓ Use historical information on usage by customer as an effective way of marketing and take thorough countermeasures to secure customer information
- Designing a membership program so that customers can use our company over an extended period of time
  - ✓ Make most valued customers understand our business and service better/ Grant some privileges/services to them
- Starting point program so that our customers can enjoy the benefits by using of our site to reserve our hotels  
The number of members of our site: 550 thousand people (FY3/18 end) → 670 thousand people (FY3/19 end)
  - ✓ Arranged a tie-up with “d point” program produced by NTT DOCOMO – very easy to earn and use “points”
    - ✕ Made “earning” and “using” d point service available in “November 2018” and “April 2019”, respectively

### ■ Developed the application of “Domico” for residents of our dormitories

#### - Gradually starting operation from April 2019

- Made it possible to apply for and cancel the board service at our dormitories on the day with simple method “by mobile phone”
- In addition, made it possible to file the notification of sleepover with dormitory “by mobile phone”

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**Further accelerating priority measures of FY3/18-FY3/22 Mid-term Management Plan and delivering stellar results**

Thank you!

