

May 30, 2019

Notice regarding the research report by Nomura Securities Co., Ltd dated May 29, 2019

We announced our comments as follows about some points of “Investment stance”, incorporated in the research report by Nomura Securities Co., Ltd, where there are some significant errors.

1. This research report said “We lower our outlook for new hotel openings, as it has become difficult to secure workers as a result of the spate of new hotels coming on stream, and there are now cases in which the timing for openings is being pushed back from initial forecasts”, but we provided a clear explanation with materials (as you can see in our HP) in the FY3/2019 financial results briefing held on May 24 that we have secured enough people to keep our business running smoothly. At the same time, we commented that the timing for openings is in line with our mid-term management plan, expecting further increase in developments/openings.
2. This research report said “Oversupply of hotels has caused RevPAR to fall nearly 20% in Osaka and Kyoto, which account for 11.0% of hotel rooms in the Dormy Inn business”, but RevPAR of Dormy Inn in Osaka and Kyoto was back on course for recovery in Oct 2018 though it temporarily decreased in September 2018 due to Typhoon No.21. In addition, RevPAR in FY3/2019 was higher than the previous fiscal year mainly coming from our advantage of nationwide distribution chains.
3. This research report said “At its 24 May results briefing it made no specific mention of how it will use its funds. We believe this is because it is difficult for the company to speed up the pace of hotel openings, and it has not identified any major targets for investment in other businesses either, and also because it is difficult for the company to step up shareholder returns, since we estimate that Kyoritsu Maintenance's equity ratio will fall around 10ppt if it moves its operating leases onto the balance sheet under Japanese GAAP”, but we announced in the FY3/2019 financial results briefing held on May 24 that we plan to further invest in development and we are now considering how we can use our funds in terms of choosing the best option for our shareholders. We will disclose the updated development plan when new developments are decided. In terms of dividends, we have clearly announced that we intend to increase dividend payout ratio to more than 20% in FY3/2022, the last year of FY3/2018-FY3/2022 mid-term management plan. That is why the latter part of the research report above mentioned is just a matter for speculation and there can risk that this part might mislead the investors in some cases.

We make a commitment to disclose correct information about our company in a timely manner.

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