



Onyado Nono Asakusa



Yukinohana Hot Spring

Overview of Consolidated Financial Results for the fiscal year ended March 2020

May 27, 2020

President

Takumi Ueda

KYORITSU
HOTELS & DORMITORIES

9616

Agenda

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Ogihama Hot Spring
Dormy Inn Kawasaki

Consolidated financial results for the fiscal year ended March 2020



Hosei University Komagome
Dormitory

Executive Summary

1

Business results in the fiscal year ended March 2020 showed decreased income due to the impact of the novel coronavirus

- In the Dormitory Business segment, operating income increased by 2.7% despite the partial effects of the novel coronavirus.
- The Hotel Business segment saw lower income due to decreased inbound tourism and restrained business and leisure travel as results of the novel coronavirus.
- Impairment losses of ¥2,227 million were recorded, focused chiefly on assets such as those of the Global Cabin (New-style compact hotel) business in the Hotel Business segment.

2

Opening of new facilities in FY 3/20 proceeded according to plan

- Fifteen new dormitories (with 1,574 rooms), seven new Dormy inns (with 1,535 rooms), and three new resorts (with 235 rooms)

3

Annual dividends per share were maintained at the same level as last year, at 45 yen

- The payout ratio **increased to 25.3%** (vs. 18.3% in the same period last year)

Consolidated business results and main financial indicators in FY 3/20

(Unit: 100 million yen)

	FY 3/19 Results	FY 3/20 Results	YoY change	
Net sales	1,628.1	1,697.7	+69.5	+4.3%
Operating profit	145.6	112.0	-33.6	-23.1%
Ordinary profit	143.2	124.9	-18.2	-12.7%
Net profit	95.6	69.2	-26.3	-27.6%
EPS (JPY)	245.3	177.6	-67.7	-27.6%

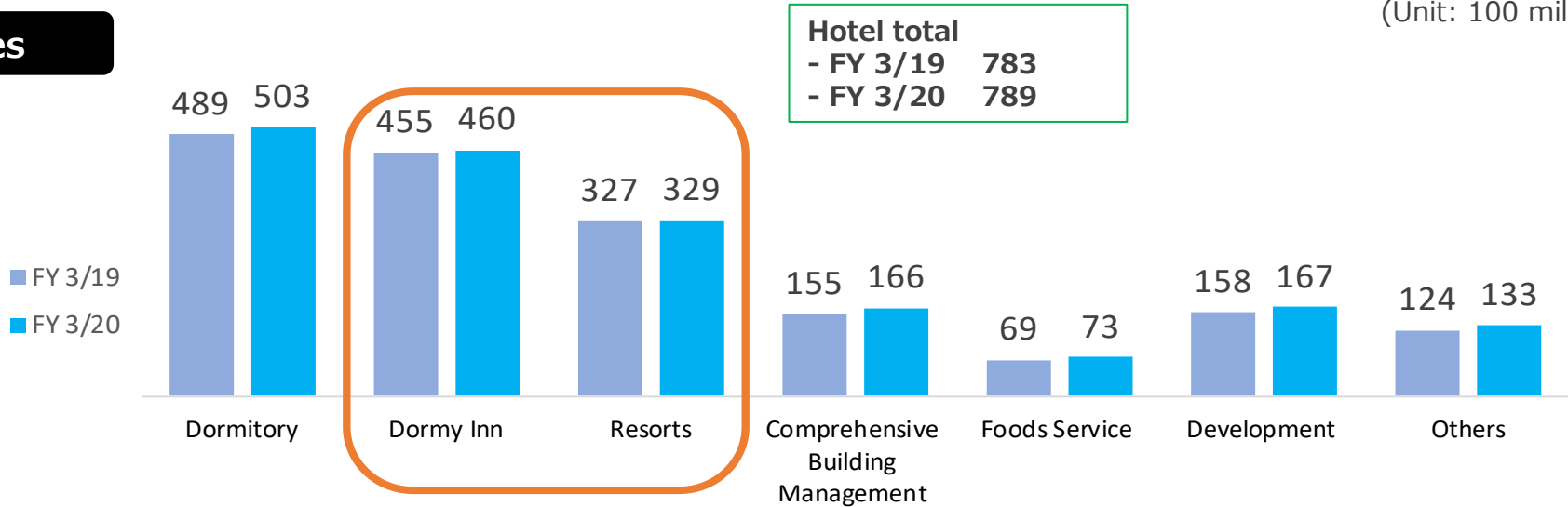
Capital investment	174.8	226.3	+51.5	+29.5%
Depreciation	47.5	52.6	+5.0	+10.5%
Cash flow*	143.2	121.8	-21.3	-14.9%
Dividends per share (yen)	45.0	45.0	-	-
Payout ratio	18.3%	25.3%	+7.0pp	-
ROE	12.6%	8.5%	-4.1pp	-
Net debt-to-equity (D/E) ratio	0.8x	0.9x	0.0x	-

* Cash flow: Net profit + depreciation

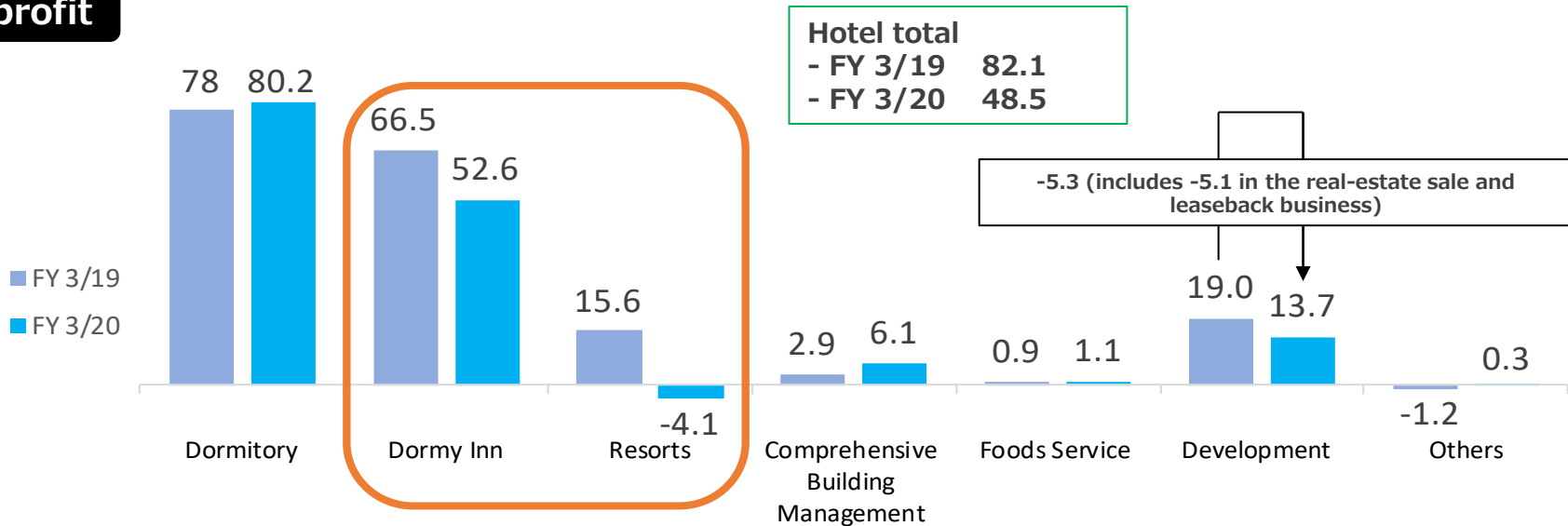
FY 3/20 sales and operating profit broken down by segment

Net sales

(Unit: 100 million yen)



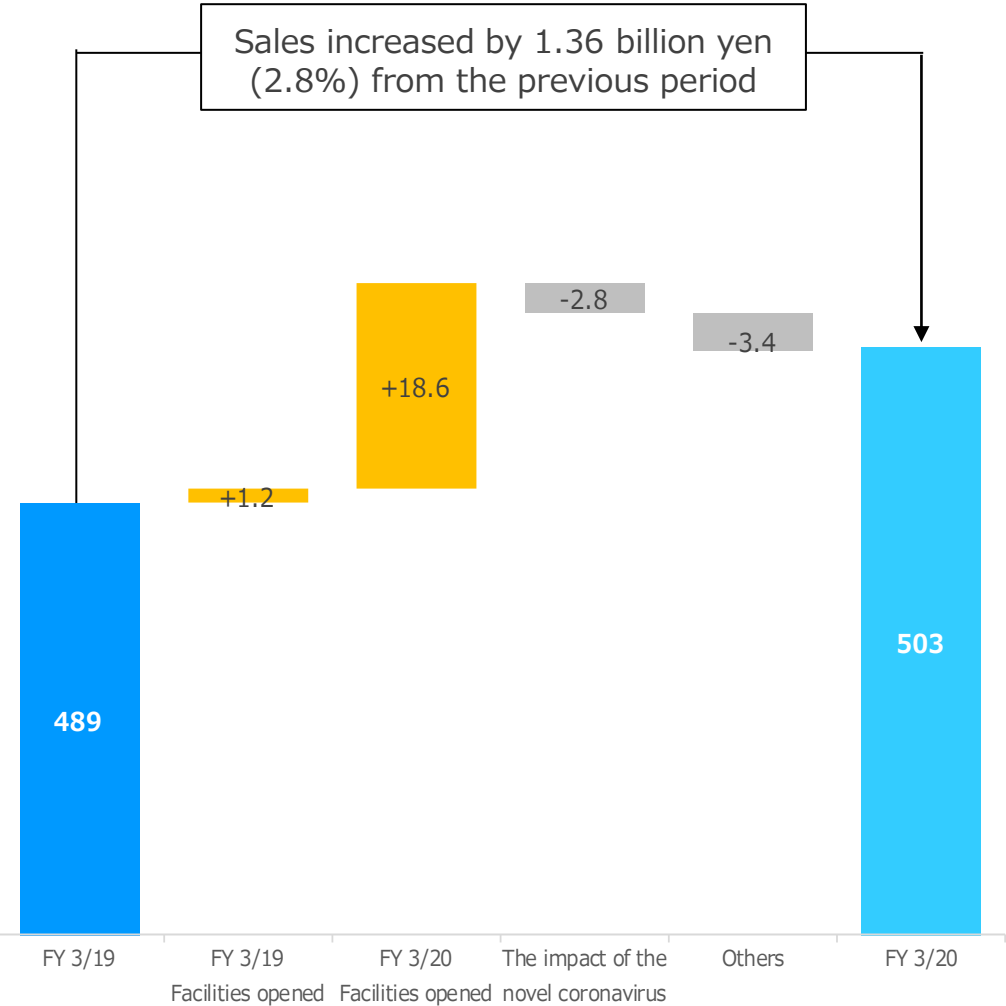
Operating profit



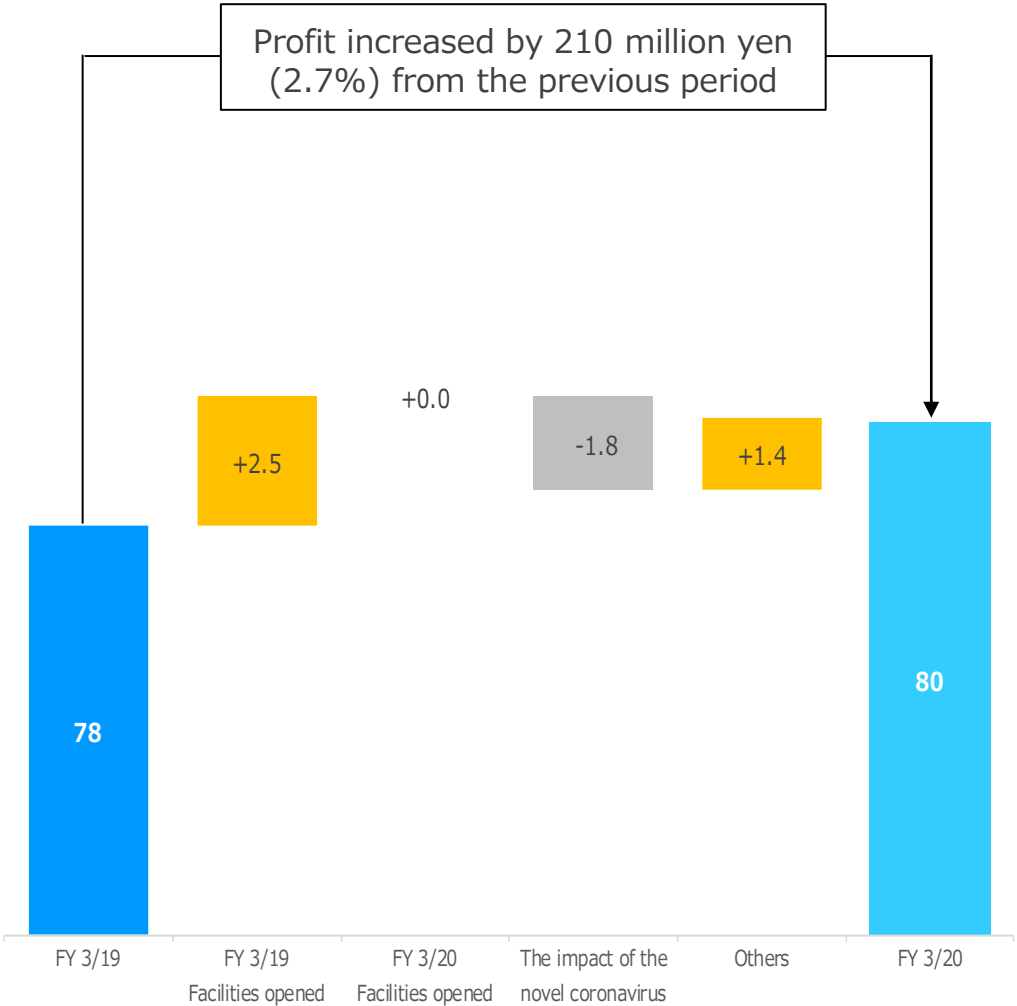
Dormitory Business: FY 3/20 Net sales and operating profit

(Unit: 100 million yen)

Net sales

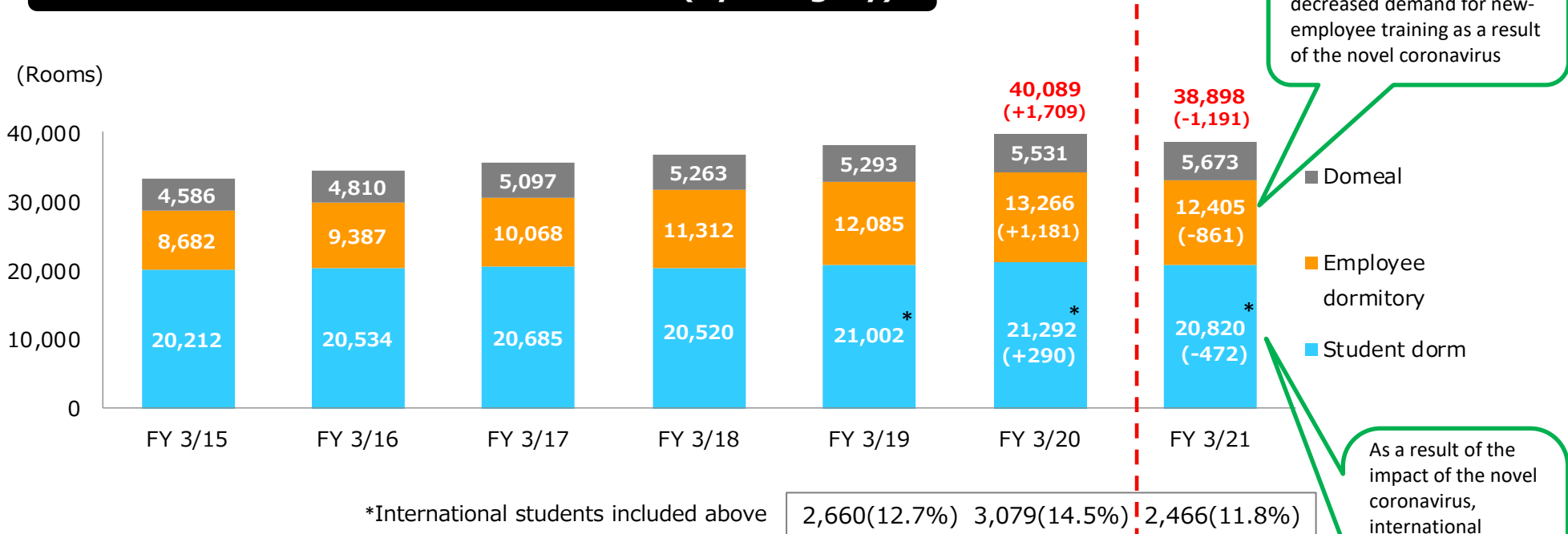


Operating profit

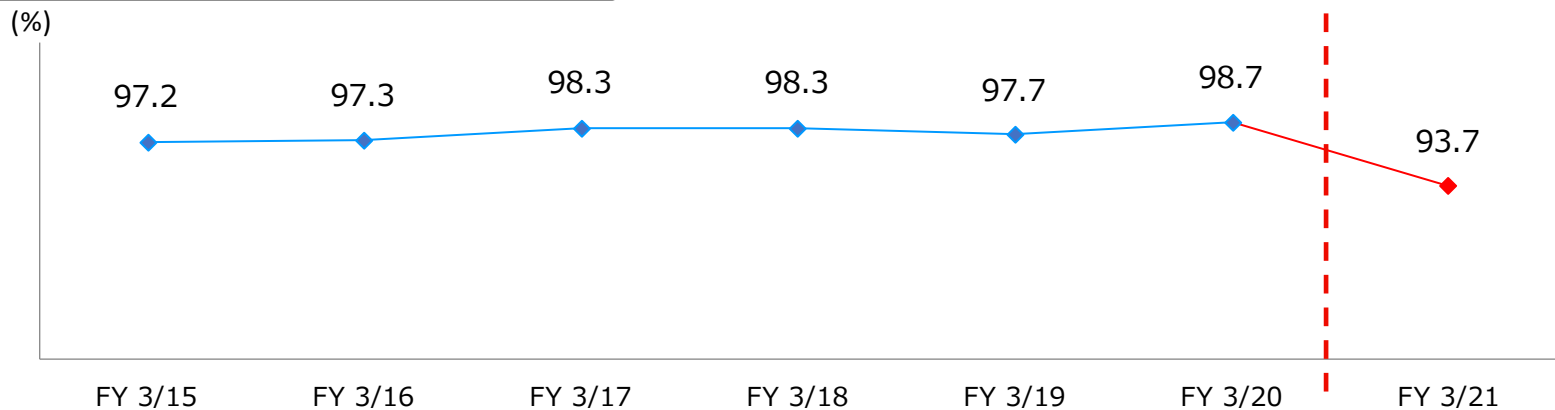


Dormitory Business: Trends in initial number of leased units/occupancy rate

Trend in initial number of leased units (by category)



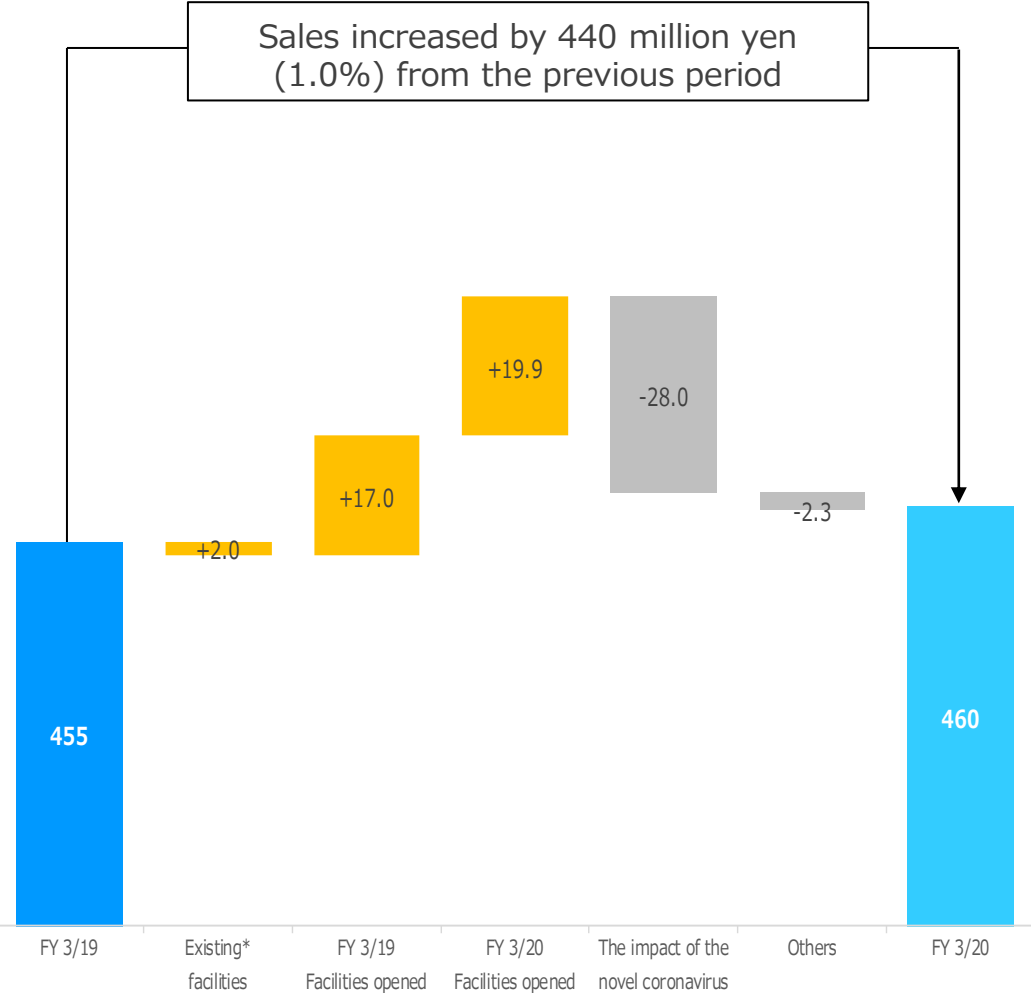
Trend in initial occupancy rate



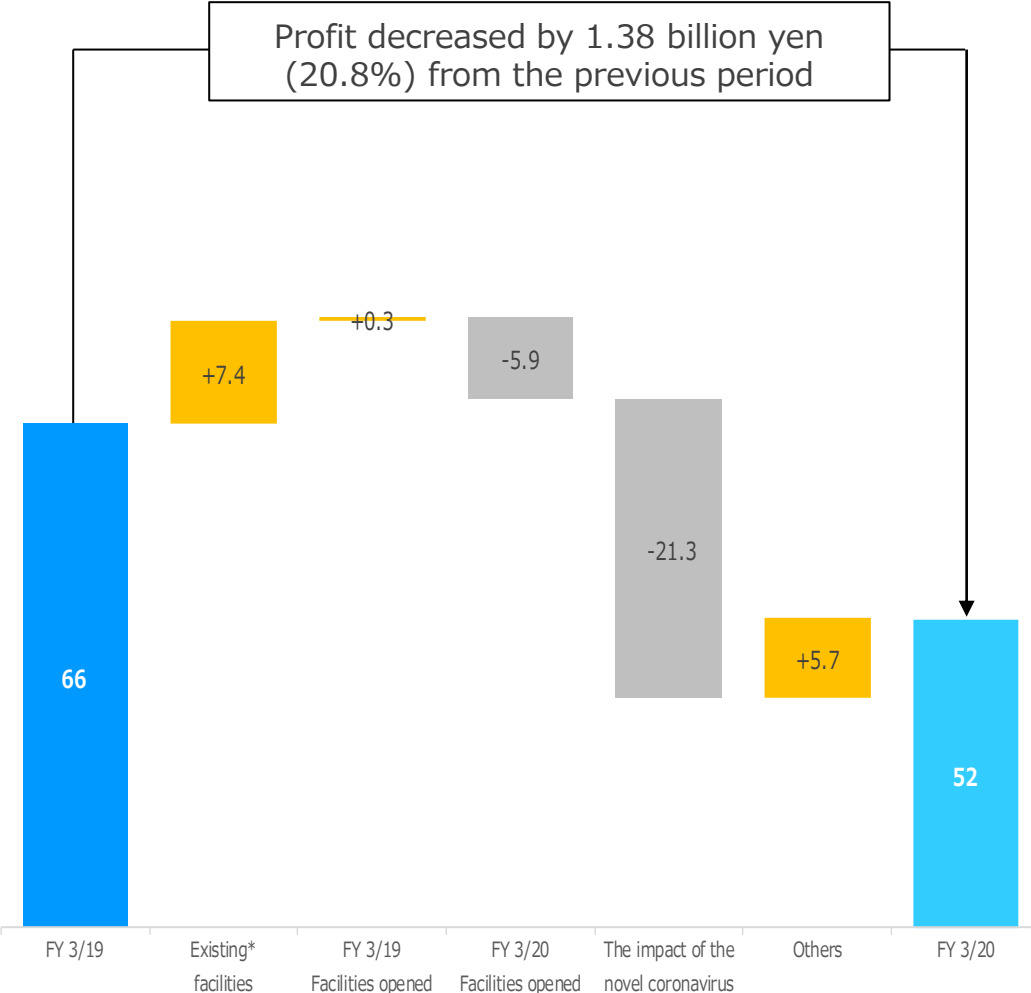
Dormy Inn Business FY 3/20 Net sales and operating profit

(Unit: 100 million yen)

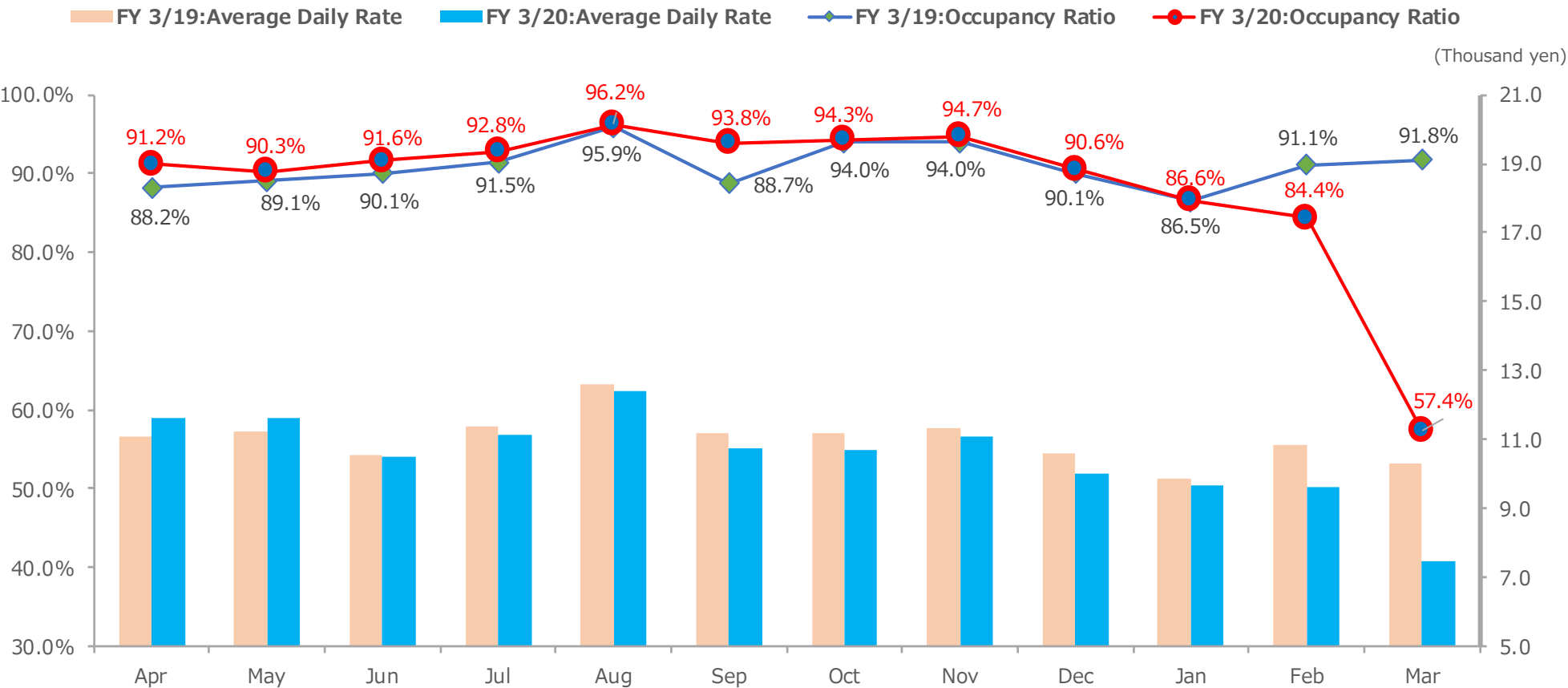
Net sales



Operating Profit



Dormy Inn Business: Monthly trends in Occupancy Ratio and Average Daily Rate



Occupancy Ratio

	Q1	Q2	Q3	Q4	Annual cumulative total
FY 3/19(actual results)	89.1%	92.1%	92.7%	89.7%	90.9%
FY 3/20(actual results)	91.0%	94.3%	93.2%	75.9%	88.6%
YoY change	+1.9pp	+2.2pp	+0.5pp	-13.8pp	-2.3pp

Average Daily Rate

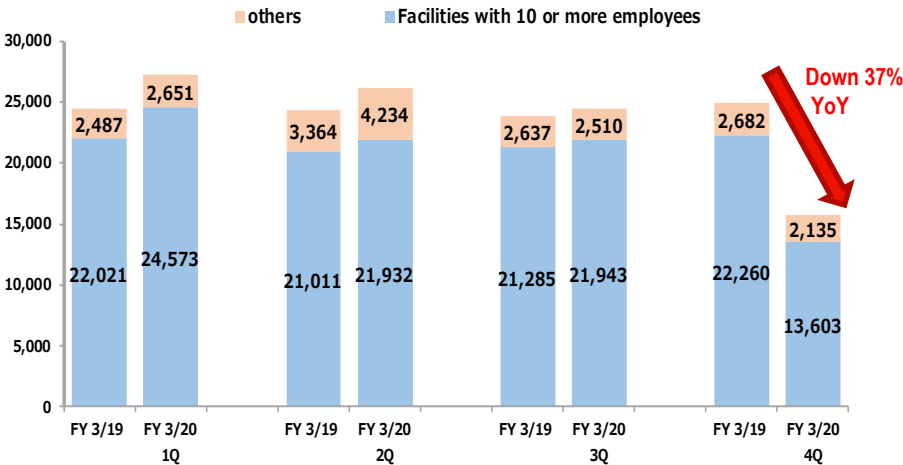
	Q1	Q2	Q3	Q4	Annual cumulative total
FY 3/19(actual results)	10.9	11.7	11.0	10.3	11.0
FY 3/20(actual results)	11.3	11.4	10.6	9.1	10.7
YoY change	+0.3	-0.3	-0.4	-1.2	-0.3

(Note) The table above shows figures not including hotels that opened in April 2018 or later (to enable comparison between the two periods under similar conditions)

Dormy Inn Business: Trends in inbound tourist demand

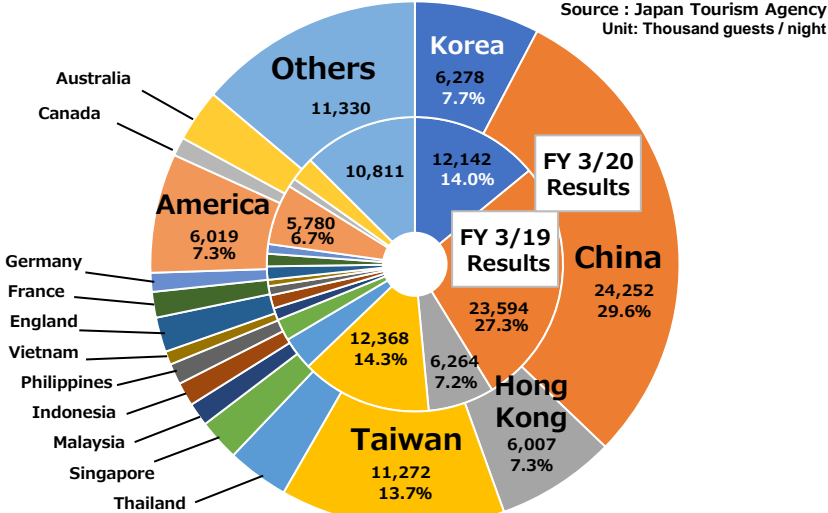
Overnight travel: Number of inbound accommodations guests vs. PY

Source: Japan Tourism Agency
Unit: Thousand guests/night



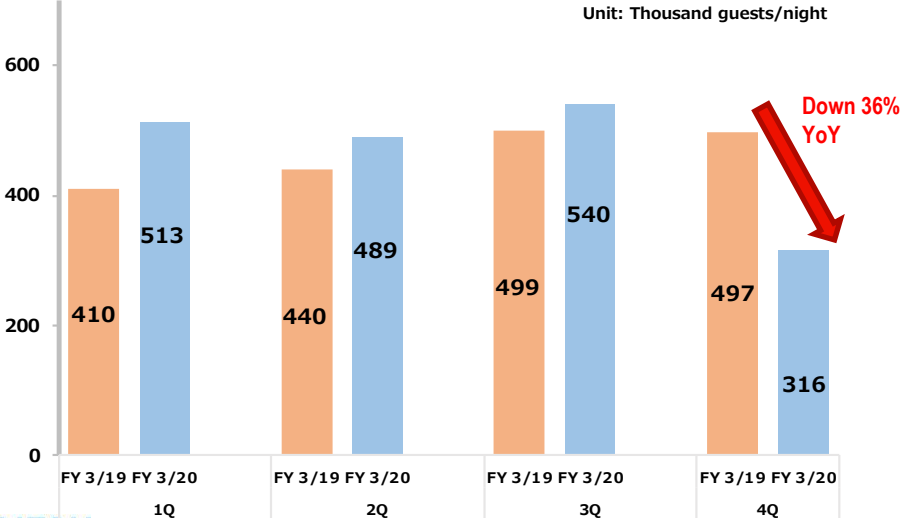
Overnight travel: Number of inbound accommodations guests by country

Source: Japan Tourism Agency
Unit: Thousand guests / night

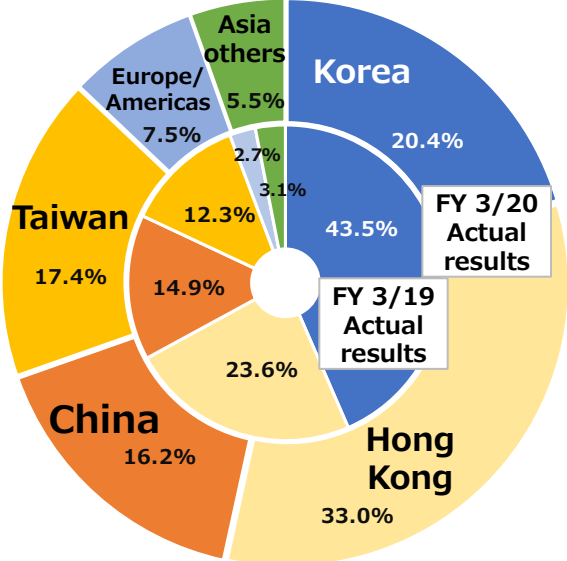


Dormy Inn: Number of inbound accommodations guests vs. PY

Unit: Thousand guests/night



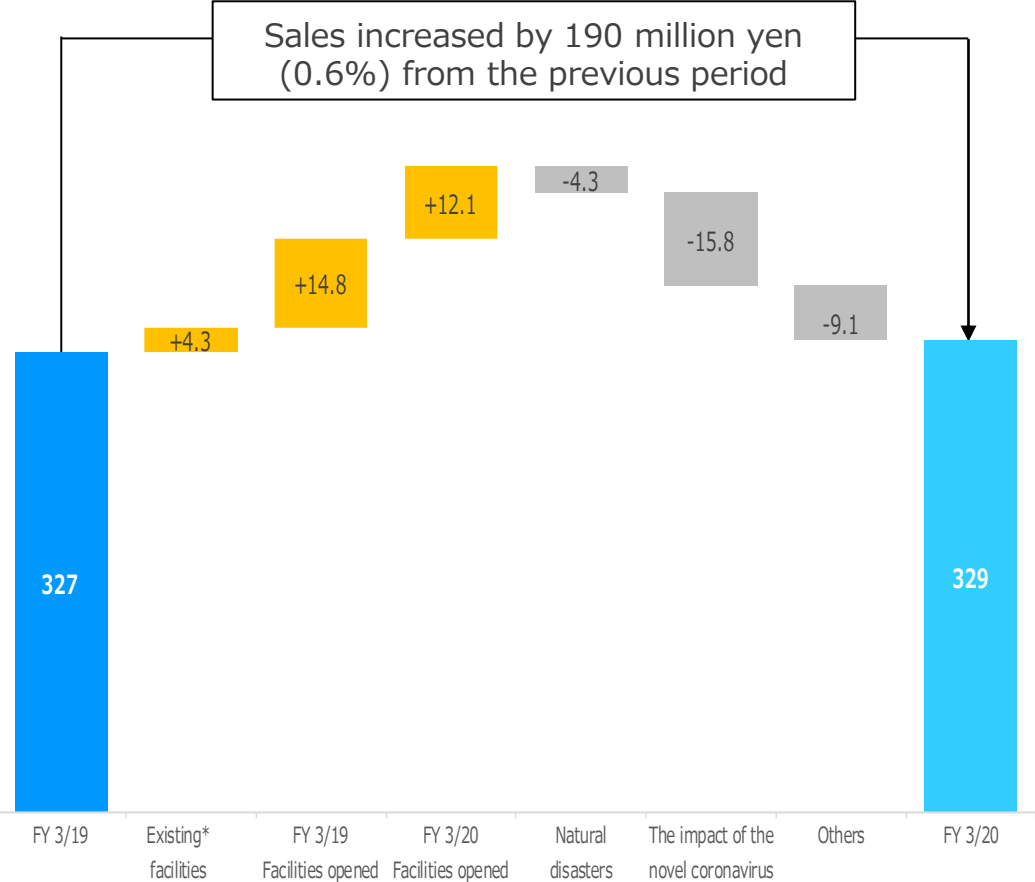
Dormy Inn: Number of inbound accommodations guests by country



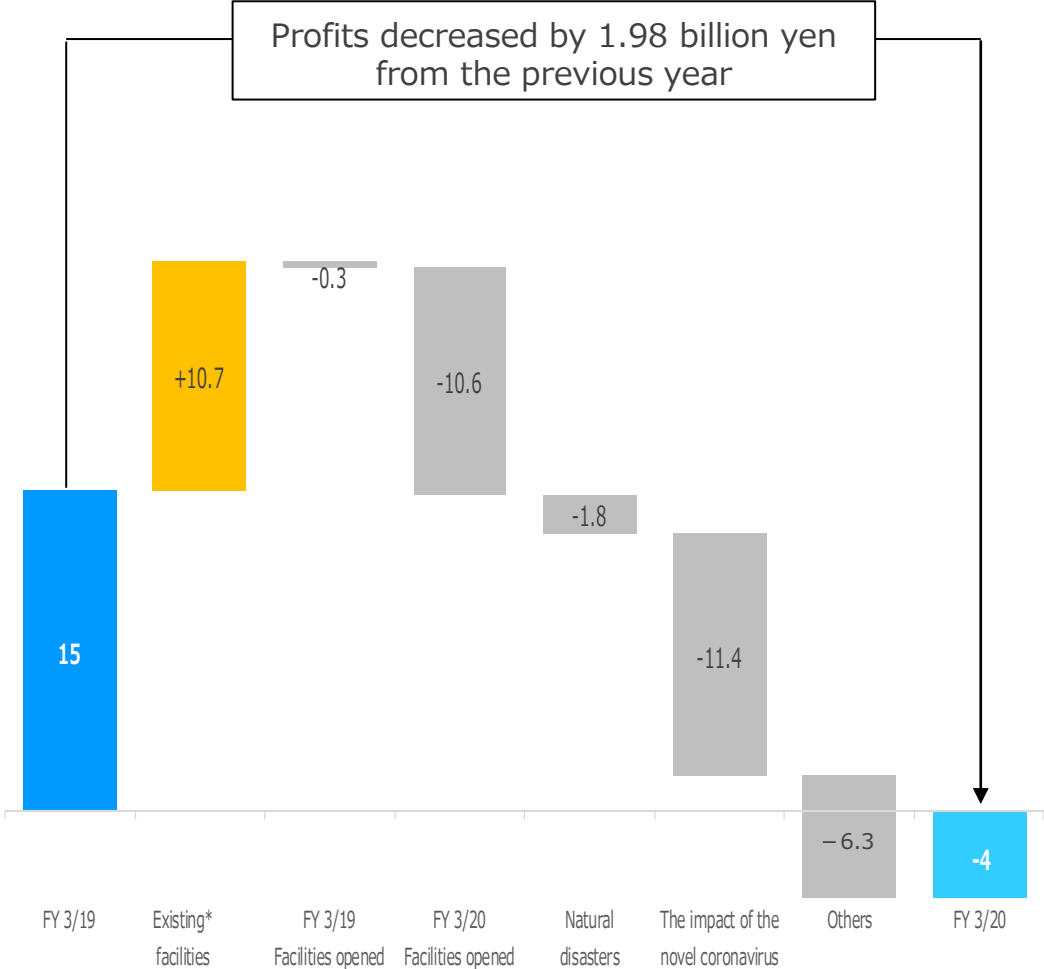
Resorts Business: FY 3/20 Net sales and operating profit

(Unit: 100 million yen)

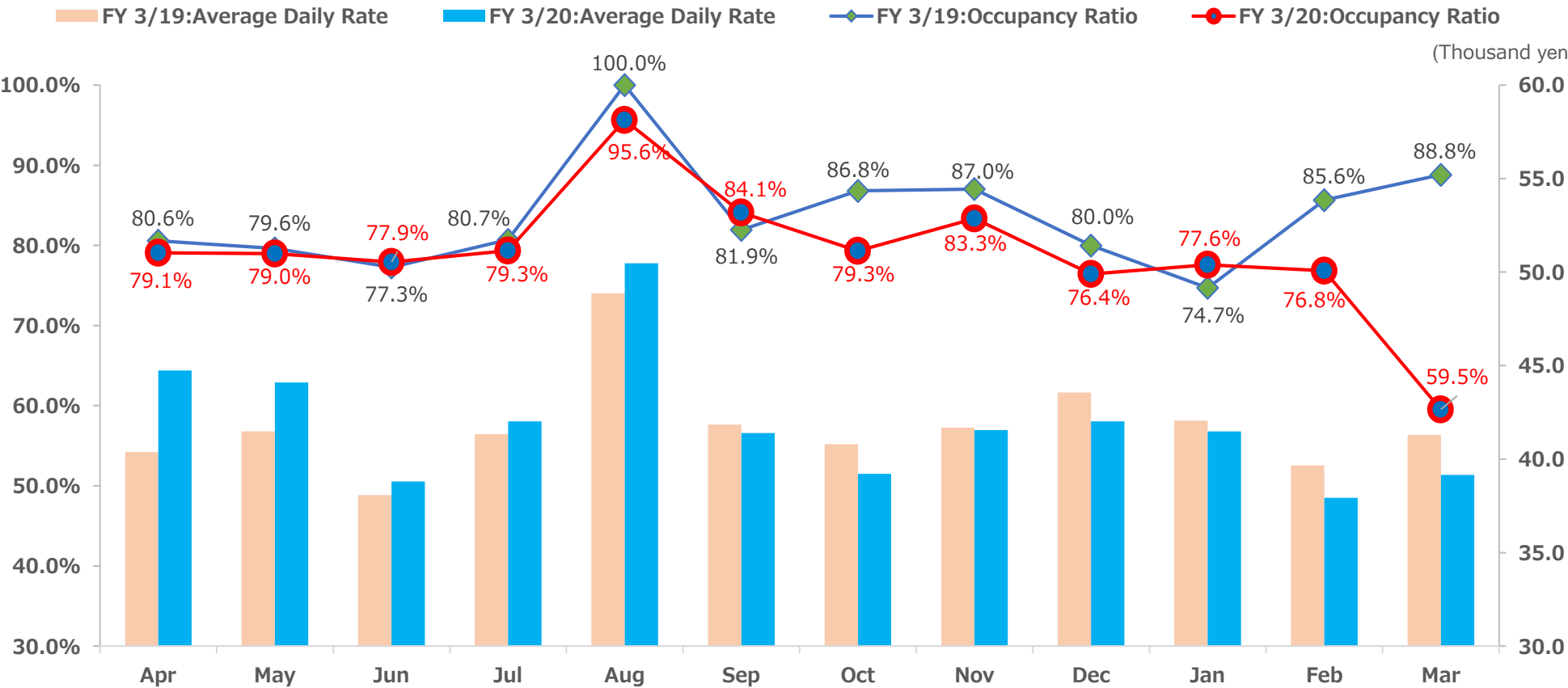
Net sales



Operating Profit



Resorts Business: Monthly trends in Occupancy Ratio and Average Daily Rate



Occupancy Ratio

	Q1	Q2	Q3	Q4	Annual cumulative total
FY 3/19(actual results)	79.2%	87.6%	84.6%	83.0%	83.6%
FY 3/20(actual results)	78.7%	86.4%	79.7%	71.2%	79.0%
YoY change	-0.5pp	-1.2pp	-4.9pp	-11.8pp	-4.6pp

Average Daily Rate

	Q1	Q2	Q3	Q4	Annual cumulative total
FY 3/19(actual results)	40.0	44.4	42.0	41.0	41.9
FY 3/20(actual results)	42.7	45.0	40.9	39.6	42.2
YoY change	+2.7	+0.6	-1.1	-1.4	+0.3

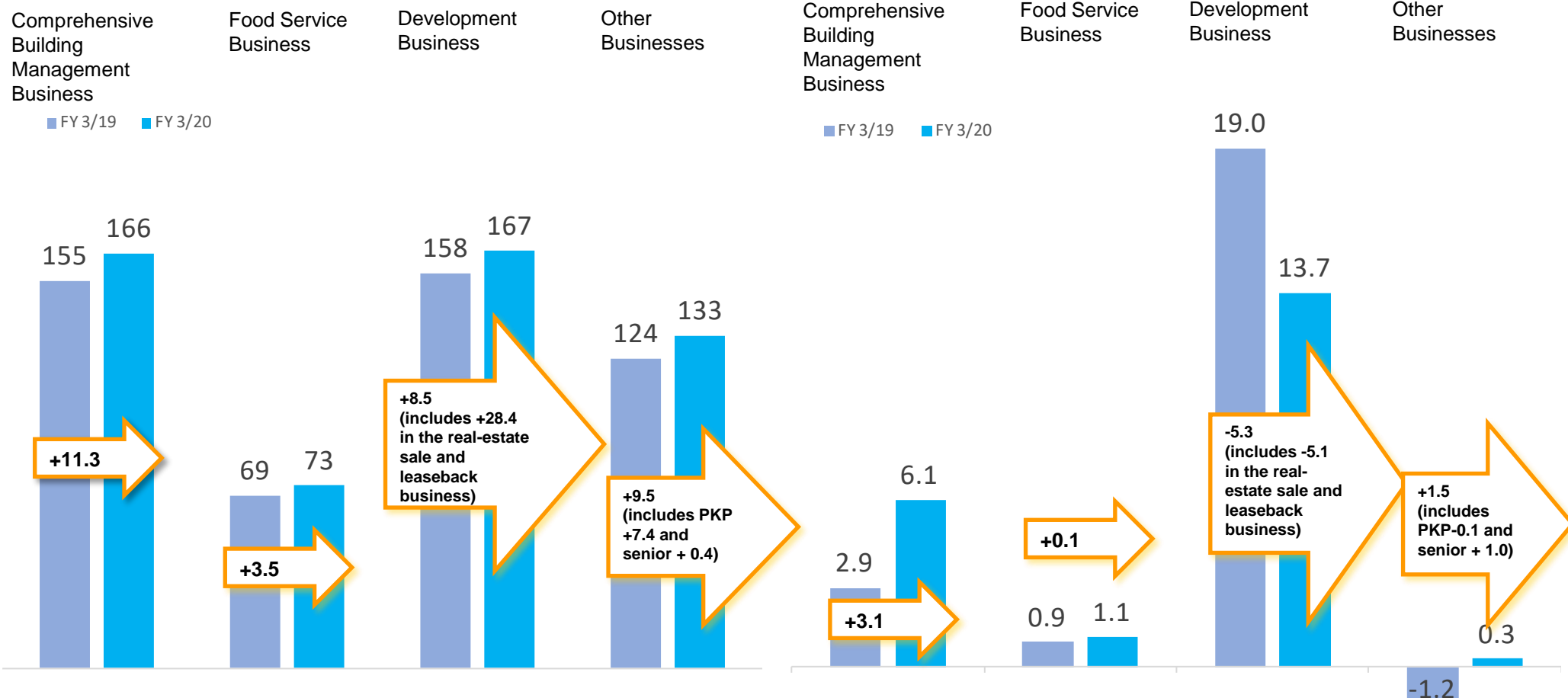
(Note) The table above shows figures not including hotels that opened in April 2018 or later (to enable comparison between the two periods under similar conditions)

Other Businesses: FY 3/20 Net sales and operating profit

(Unit: 100 million yen)

Net sales: YoY change +6.5%

Operating profit: YoY change -2.1%



Balance sheet

End of March 2019

Assets 202.5 billion yen	Liabilities 122.9 billion yen
Cash and deposits 16.6 billion yen	Interest-bearing debt 82.9 billion yen
	*Includes CB of 19.9 billion yen
Non-current assets 160.7 billion yen	Net assets 79.5 billion yen
	Treasury stock -300 million yen

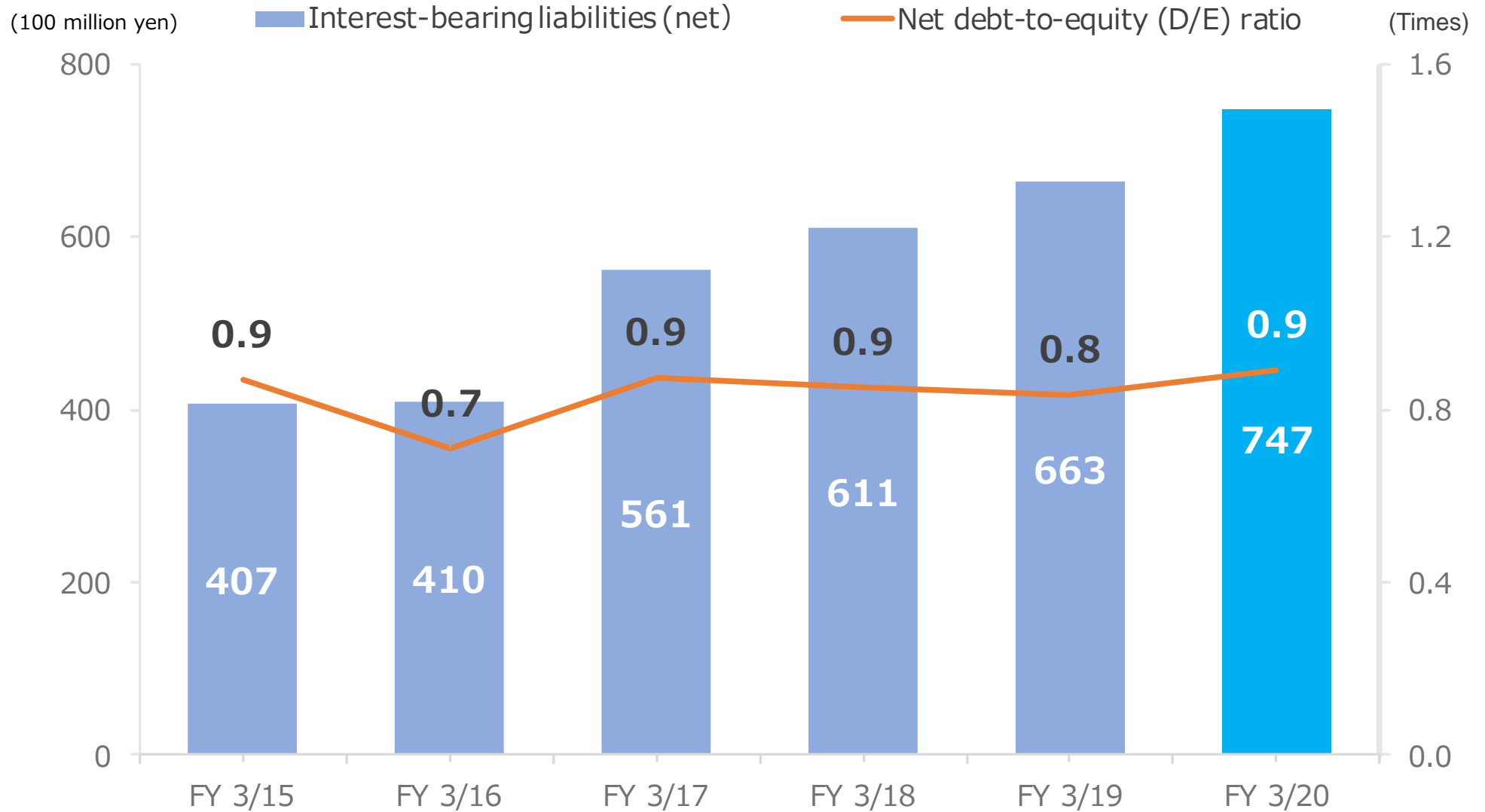
End of March 2020

Assets 217.0 billion yen (+14.5 billion yen)	Liabilities 133.1 billion yen (+10.1 billion yen)
Cash and deposits 18.3 billion yen (+1.6 billion yen)	Interest-bearing debt 93.0 billion yen (+10.0 billion yen)
	*Includes CB of 19.9 billion yen
Non-current assets 165.9 billion yen (+5.1 billion yen)	Net assets 83.9 billion yen (+4.3 billion yen)
	Treasury stock -300 million yen

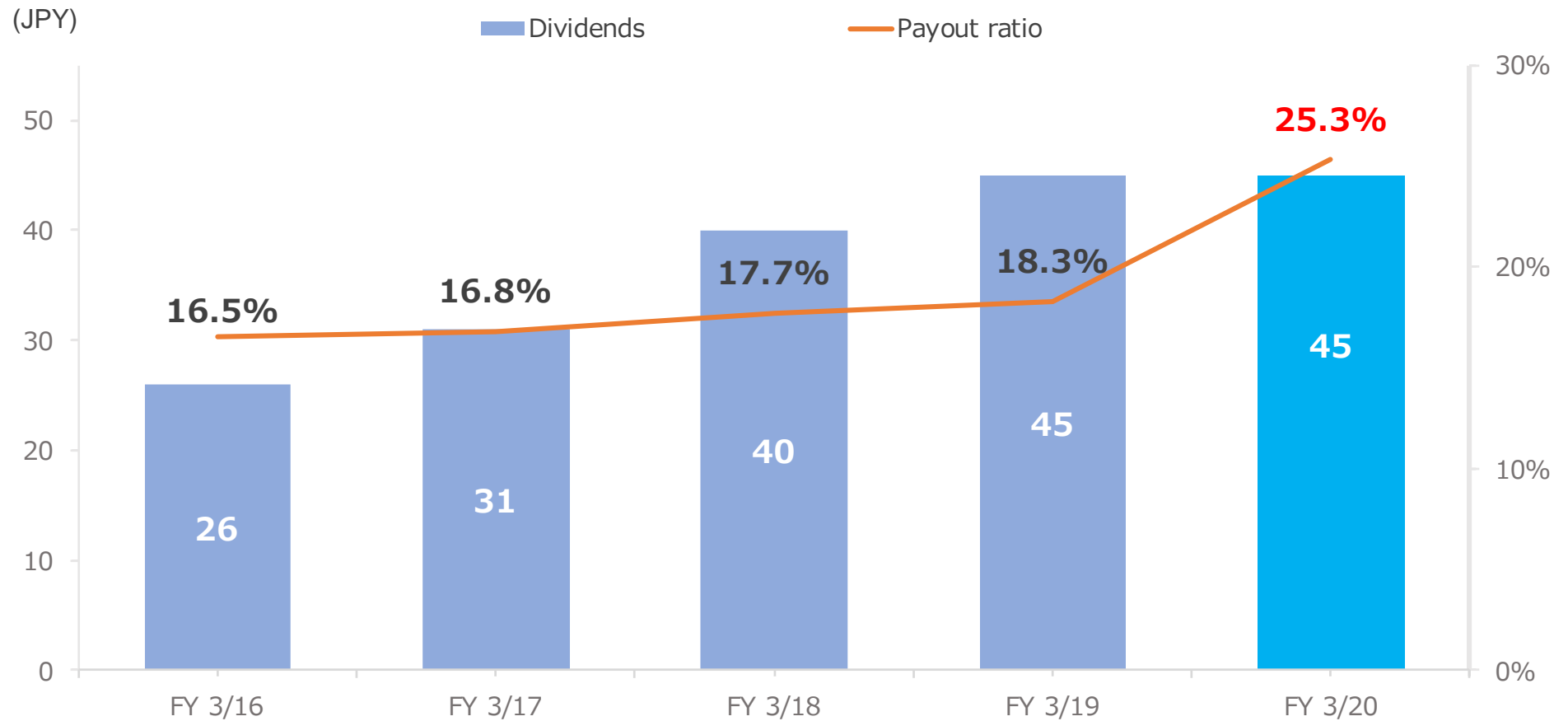
Interest-bearing liabilities = Short-term loans payable + Current portion of bonds + Bonds + Long-term loans payable + Convertible bonds (CB)

Figures in parentheses indicate changes from the previous year

Interest-bearing debt and Net D/E ratio



Dividends/payout ratio



(Note) 1:2 stock split was conducted on April 1, 2017.

ESG initiatives

• Enhancement of corporate governance

➤ Appointment of outside Directors

Outside Director who is not a member of the audit and supervisory board (one Director): Newly appointed in June of last year A former director of the Japan Tourism Agency, this outside Director is highly familiar with the fields of land, infrastructure, transport, and tourism policies.

Outside Directors who are members of the audit and supervisory board (two Directors): Highly familiar with the fields of finance, accounting, business administration, and economics

- Developing a structure for monitoring of Company management by independent Directors (recorded with the Tokyo Stock Exchange), through the three outside Directors above. These independent Directors attend all meetings of the Board of Directors, where they offer proactive and constructive opinions.

- Furthermore, plans call for increasing the number of independent outside Directors by three persons in the General Meeting of Shareholders planned for June 2020. * The ratio of outside Directors is planning to be more than one-third.

➤ Shareholders will be provided with sufficient time for thorough consideration of the resolutions to be submitted to the General Meeting of Shareholders through means such as early notification, by electronic means, of convocation of the meeting.



• Realizing gender equality

- In June 2019, the Company appointed its first female Director, and it plans to appoint a female outside Director among those planned for appointment in June 2020 as well.
- The number of women hired as permanent, full-time employees is in an increasing trend (with the percentage as of the end of FY2019 having risen by 4.8 pp from the end of FY2015, to 47.4%).
- Both the percentage of managerial positions filled by women and the percentage of women permanent, full-time employees in managerial positions show gently increasing trends.

• Clean, renewable energy for all

➤ Renewable energy

- Participating in the activities of the town of Nakanojo, Gunma Prefecture to promote community vitalization through local production and local consumption of electricity

➤ Environmental protection activities

- Implementing WECO activities* for guests staying consecutive nights
- Adoption of business cards made from limestone (LIMEX business cards)



**Projected
results for
FY 3/21**



*Kotohira hot spring
Onyado Shikishimakan*



Inazumi Hot Spring

Projected consolidated results for FY 3/21

Impact of the novel coronavirus



To be determined, due to uncertainty regarding future trends and the lack of grounds for reliable estimates

■ Priority measures

I. Thorough cost cutting

Building a solid business structure through cost savings Companywide

II. Beginning **aggressive efforts toward recovery** in preparation for the release of the state of emergency in stages

◇ Assumptions

- Thorough implementation of measures to prevent the spread of the coronavirus (e.g., in ways of serving meals and thorough disinfection and sterilization of guestrooms and common areas)
- A recovery in inbound tourism is expected to take one to one and one-half years or longer



Offering and announcing new plans and services chiefly targeting domestic customers

III. Securing the planned funding necessary

The Company has secured the funding expected to be needed for the time being through agreement with financial institutions on increased credit lines.

Progress on the medium-term management plan

*Kotohira hot spring
Onyado Shikishimakan*



*Okuhida Onsengo
Miyama Uan*

Main quantitative goals of the medium-term management plan (March 2018 – March 2022) and state of progress on them

Name of this medium-term management plan

Kyoritsu Jump Up Plan

Basic policies

1. Increasing customer satisfaction

- Creating products and services to lead to increased customer satisfaction, improving customers' evaluations of the Company, and further earning their trust.

2. Taking the initiative on development

- Growing our business facilities and building a rock-solid foundation

Main quantitative goals

Main quantitative goals	Results in FY 3/17, the starting point of the medium-term management plan	Progress as of FY 3/20	Results in FY 3/22, the final fiscal year of the medium-term management plan
Net sales	135.8 billion yen	169.7 billion yen (CAGR: +6%)	220 billion yen (CAGR: +10%)
Operating profit	11.8 billion yen	11.2 billion yen (CAGR: —)	19 billion yen (CAGR: +10%)
Net D/E Ratio	0.9 times	0.9 times	No greater than 1.0, the financial soundness target
Payout ratio	16.8%	25.3%	Gradually increasing, aiming for a target of more than 20%
ROE	11.7%	8.5%	10% or more

Development plans	Results in FY 3/17, the starting point of the medium-term management plan	Progress as of FY 3/20 (FY 3/18 to FY 3/20)	End of FY 3/22, the final fiscal year of the medium-term management plan
Dormitory	37,000 rooms	- Development basis: 4,317 rooms - Projects on which the institutions already have made decisions: Approximately 6,100 rooms (progress rate: 87%)	7,000 rooms
Dormy Inn	10,200 rooms	- Development basis: 4,636 rooms - Projects on which the institutions already have made decisions: Approximately 9,000 rooms (progress rate: 100%)	9,000 rooms
Resorts	2,200 rooms	- Development basis: 659 rooms - Projects on which the institutions already have made decisions: Approximately 1,500 rooms (progress rate: 107%)	1,400 rooms

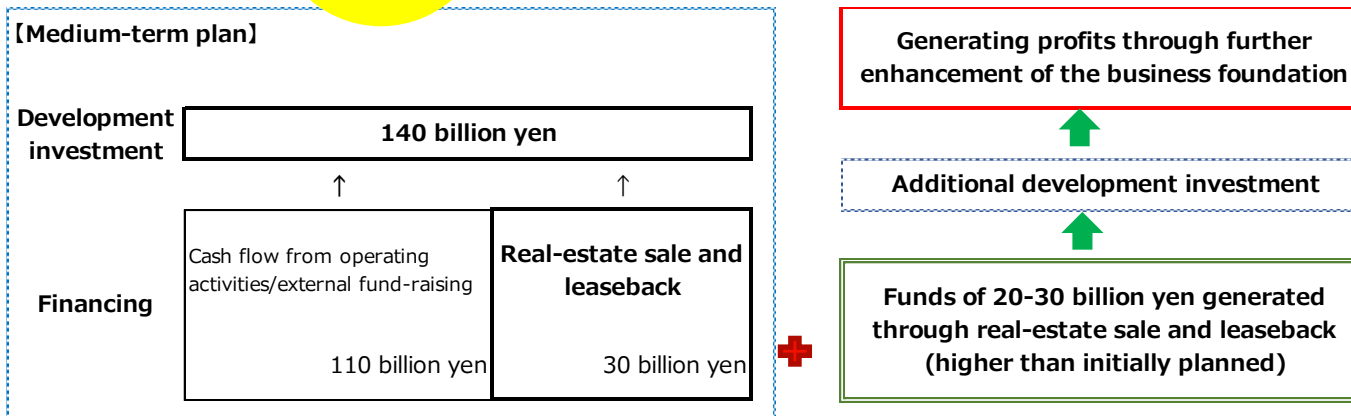
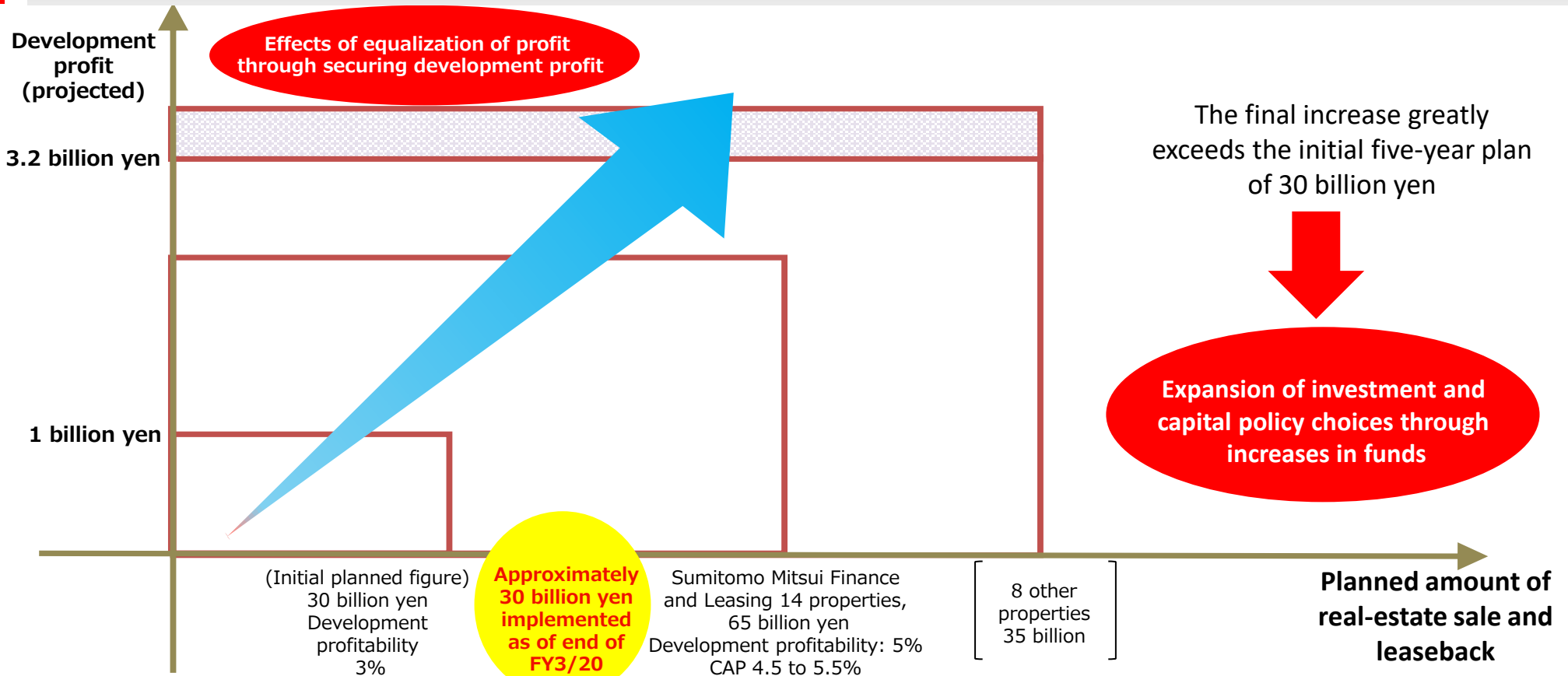
Dormitory and hotel development plans to realize sustained growth

	FY 3/18 Results		FY 3/19 Results		FY 3/20 Results		FY 3/21 Planned		FY 3/22 Planned	
Dormitories, Domeal	+10 facilities*	+963 rooms*	+14 facilities*	+1,780 rooms*	+15 facilities*	+1,574 rooms*	+15 facilities*	+1,180 rooms*	+8 facilities*	+608 rooms*
End of FY 3/17: 463 facilities/37,000 rooms	Number of facilities in operation at end of year 473 facilities		Number of facilities in operation at end of year 485 facilities		Number of facilities in operation at end of year 494 facilities		Number of facilities in operation at end of year 506 facilities		Number of facilities in operation at end of year 512 facilities	
	Leasing rate 88.5%		Leasing rate 88.5%		Leasing rate 87.6%		Leasing rate 87.9%		Leasing rate 87.5%	
Medium-term plan: 7,000 rooms	Number of rooms in operation at end of year 38,166 rooms		Number of rooms in operation at end of year 39,450 rooms		Number of rooms in operation at end of year 40,633 rooms		Number of rooms in operation at end of year 41,620 rooms		Number of rooms in operation at end of year 41,987 rooms	
Projects on which the institutions already have made decisions Around 6,100 rooms Progress rate 87%	Noda ANNEX, [L]Senjunakamachi, [L]Tsunashimaekimae, Higashiosaka, [L]Maihama, [L]Minamikoshigaya, [L]Irinaka II, [L]Koroen ,and others.		[L]Waseda, [L]Hikifune, [L]Keiotsunashima, [L]Tsurugashima, Omoromachi, [L]Kaihinmakuhari, [L]Tokorozawa, [L]Hakataekiminami II, [L]Kokuraekimae, and others.		[L] Sendai Higashiguchi V, [L] Motoyama, [L] Osaka Tenma, [L] Kagoshima, [L] Kobe, [L] Ichigaya, [L] Komagome, Meiji University Global Village, [L] Setagaya Todoriki, and others		[L] Hokudai Avenue, [L] Nippori, [L] Sendai Tsutsujigaoka, [L] Nagakute, [L] Hamadayama, [L] Komazawa Koen, [L] Esaka Koen, [L] Azabu-Juban, [L] Hyakumanben Annex, [L] Yokohama-Nishi, and others		[L] Sakado II, Niigata II, [L] Kyoto-Kuinabashi, [L] Iriya, [L] Hirao-Ekimae, [L] Kameari, and others	
Dormy Inn	+9 facilities	+1,571 rooms	+9 facilities*	+1,530 rooms*	+7 facilities	+1,535 rooms	+7 facilities	+1,797 rooms	+13 facilities	+2,694 rooms
End of FY 3/17: 64 facilities/10,200 rooms	Number of facilities in operation at end of year 72 facilities		Number of facilities in operation at end of year 80 facilities		Number of facilities in operation at end of year 87 facilities		Number of facilities in operation at end of year 94 facilities		Number of facilities in operation at end of year 107 facilities	
	Leasing rate 98.8%		Leasing rate 98.9%		Leasing rate 99.0%		Leasing rate 99.1%		Leasing rate 99.3%	
Medium-term plan: 9,000 rooms	Number of rooms in operation at end of year 11,811 rooms		Number of rooms in operation at end of year 13,248 rooms		Number of rooms in operation at end of year 14,783 rooms		Number of rooms in operation at end of year 16,580 rooms		Number of rooms in operation at end of year 19,274 rooms	
Projects on which the institutions already have made decisions Around 9,000 rooms Progression rate 100%	[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]Honhachinohe, [L]Osakatanimachi, [L]Korakuen, [L]Oita, [L]global cabin Hamamatsu, [L]global cabin Yokohamachukagai, [L]Takamatsuchukoemae, [L]PREMIUM Namba ANNEX, [L]PREMIUM Osakakitahama		[L]Maebashi, [L]Fukui, [L]Morioka, [L]Nono Asakusa, [L]Kawasaki, [L]Furano, [L]Mito		[L] Nono Kyoto-Shichijo, [L] Kobe, [L] PREMIUM Ginza, [L] Ikebukuro, [L] Nagasaki-Ekimae, [L] Toyohashi, [L] Nono Kanazawa		[L] Gotemba, [L] Nono Matsumoto, [L] Nono Sendai, [L] Fukuyama [L] Tokyo Bay (Toyosu), [L] Hiroshima ANNEX, [L] Aomori, [L] NonoYodoyabashi, [L] Okayama, [L] Nono Matsue, [L] Nono Kumamoto, [L] Yokohama, [L] Nono Asakusa Bettei,	
Resorts	+4 facilities	+253 rooms	+2 facilities	+171 rooms	+3 facilities	+235 rooms	+6 facilities	+486 rooms	+4 facilities	+407 rooms
End of FY3/17: 24 facilities/2,200 rooms	Number of facilities in operation at end of year 29 facilities		Number of facilities in operation at end of year 31 facilities		Number of facilities in operation at end of year 34 facilities		Number of facilities in operation at end of year 40 facilities		Number of facilities in operation at end of year 44 facilities	
	Leasing rate 58.7%		Leasing rate 60.2%		Leasing rate 61.6%		Leasing rate 60.4%		Leasing rate 68.9%	
Medium-term plan: 1,400 rooms	Number of rooms in operation at end of year 2,478 rooms		Number of rooms in operation at end of year 2,649 rooms		Number of rooms in operation at end of year 2,884 rooms		Number of rooms in operation at end of year 3,370 rooms		Number of rooms in operation at end of year 3,777 rooms	
Projects on which the institutions already have made decisions Around 1,500 rooms Progression rate 107%	Keiun (Izumo), Tsukiyo 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] Nasu-Shiohara Rengetsu (Tochigi), [L] Wakura Hot Spring (Ishikawa), Kikuya Bettei Suigetsu (Shizuoka), and others		[L] Kawazu Hot Spring (Shizuoka), [L] Kyoto Umekoji, [L] La Vista Hakodate Bay ANNEX, [L] Jozankei	
Companywide leasing rate	89.4%		89.7%		89.2%		89.4%		89.9%	

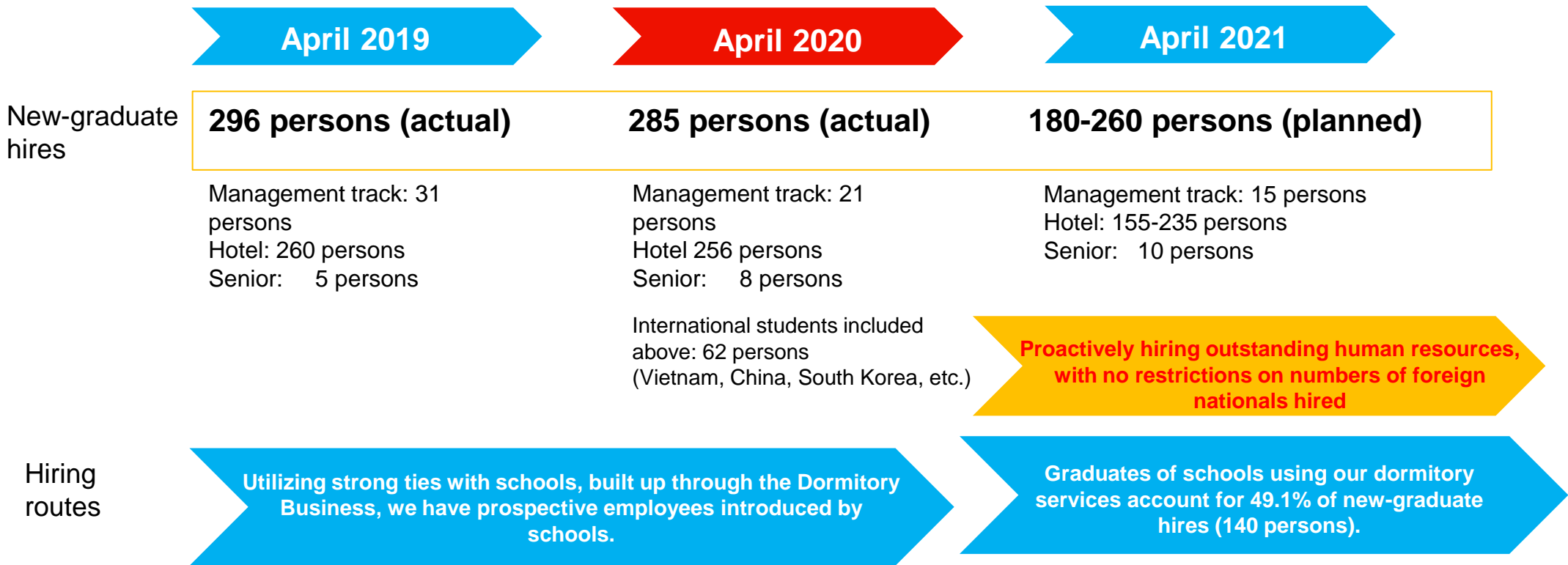
* Indicates numbers of increases in facilities and rooms from development projects (does not indicate numbers of increases from the end of the previous year for facilities and rooms in operation at the end of the year)

Note: Red text indicates development projects for which rates of inbound tourism are higher than the Company average; "L" indicates a leased facility; underlines indicate real-estate sale and leaseback projects including future plans

Progress on real-estate sale and leaseback



Securing stable staffing and human resources



Dormy Inn

Foreign-language-capable staff

- Developing a structure under which hotels can call an internal call center to communicate with guests in their own languages
- Staff who can speak foreign languages (English, Chinese, and Korean) are assigned at all times to the front desks in the greater Tokyo and Osaka areas, where percentages of guests from overseas are especially high.

Cleaning and linen staff

- Utilizing our brand's hiring advantages, at present we have 18 buildings to operate directly for cleaning and linen services through a structure that enables direct hiring and training regardless of nationality. Other facilities employ structures including use of multiple vendors at each facility.
- We are making progress on simplification of cleaning operations without loss of quality, through business reforms.

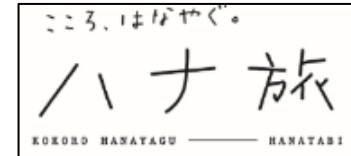
Measures to increase corporate name recognition

- Corporate TV commercials aired during broadcasts of the Hakone Ekiden relay marathon



- Sponsoring original programming on TV Asahi and TBS Radio

- Sponsoring the programs "Sukkiri" on the Nippon Television Network and "Nonstop" on Fuji TV (February-March)



- Broadcasting nine live 60-second commercials on TBS Radio (publicity)

- 2019 official sponsor of the Japan Women's Football League

The Company concluded an official sponsorship agreement with the Nadeshiko League, where strong, healthy women athletes shine. The Company will continue to support activities to promote the Nadeshiko League to convey its players' dreams and feelings to as many fans as possible.



- Participation in various IR events etc.

- IR for domestic individual investors: Holding briefings for individual and institutional investors, participation in IR fairs, holding meetings with investors, etc.
- IR for overseas institutional investors: Participation in international IR road shows and conferences (three events/year in FY 3/20)

Measures to increase customer satisfaction

■ Building and enhancing our comprehensive customer network

- Utilizing customer data to deliver optimal hospitality to customers
- Designing a membership program to help customers to better understand the Company and use it loyally
- We have begun planning a loyalty points program to enable customers to enjoy the benefits of use of our own reservation channels

Number of registered members of the hotel reservation site: 550,000 at end of March 2018 → 830,000 at end of March 2020 (+50.9%)



■ Development of “Domico” an app exclusively for use by dormitory residents (to be introduced nationwide in 2020)

- Users can view photos of menu items and request meals easily
- Provides notice of dormitory events, inspections, etc.
- Enables communication with the dormitory manager and dorm mothers and other tasks



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Forward-looking statements

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The Company will strive to improve business results further through advancing the priority measures identified in the medium-term management plan (March 2018-March 2022) at an accelerating pace.

Thank you!

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