

To our shareholders and investors

KYORITSU MAINTENANCE CO., LTD.

**Supplementary explanation on proposals for the Company's
40th Ordinary General Meeting of Shareholders**

We have obtained information that Institutional Shareholder Services Inc. (hereinafter referred to as "ISS"), a proxy advisory firm, has recommended against the election of candidate No. 1 Haruhisa Ishizuka and candidate No. 2 Takumi Ueda among thirteen (13) candidates with regard to Proposal 2 "Election of thirteen (13) Directors (excluding Directors who are Audit and Supervisory Committee Members)" for the 40th Ordinary General Meeting of Shareholders of the Company scheduled to be held on June 26, 2019, as well as against the election of candidate No. 2 Toshiaki Miyagi and candidate No. 3 Tokio Kawashima among three (3) candidates with regard to Proposal 3 "Election of three (3) Directors who are Audit and Supervisory Committee Members."

In this regard, we would like to make a supplementary explanation on these proposals as follows.

We ask our shareholders and investors to read details of the supplementary explanation, and hope that we will gain their understanding of Proposal 2 and Proposal 3.

1. Content of ISS's recommendations against Proposal 2 and Proposal 3

ISS has a policy to oppose a proposal for election of top management when the number of outside directors is less than one-third of the board at a company with audit and supervisory committee, and has reportedly recommended against the election of Haruhisa Ishizuka, Chairman, and Takumi Ueda, President, with regard to Proposal 2 "Election of thirteen (13) Directors (excluding Directors who are Audit and Supervisory Committee Members)."

In addition, for Proposal 3 "Election of three (3) Directors who are Audit and Supervisory Committee Members," ISS has reportedly recommended against the election of Toshiaki Miyagi for the reason that he lacks independence because he served as a person executing business of SMBC Nikko Securities Inc., which is the Company's lead managing underwriter, and the election of Tokio Kawashima for the reason that he lacks independence because he served as a person executing business of MUFG Bank, Ltd., which is a lender of the Company as well as a shareholder of the Company.

2. The Company's view and supplementary explanation

- (i) The Company's view and supplementary explanation on candidate No. 1 (Haruhisa Ishizuka) and candidate No. 2 (Takumi Ueda) in Proposal 2 "Election of thirteen (13) Directors (excluding Directors who are Audit and Supervisory Committee Members)"

To enhance governance of the Board of Directors, the Company proposes the election of Mr. Kubo as Outside Director (Notification is planned to be submitted to Tokyo Stock Exchange, Inc. concerning his appointment as an independent officer). Through this election, together with the election of Toshiaki Miyagi and Tokio Kawashima in Proposal 3, the Company intends to establish a structure with three (3) Outside Directors who have independence that the Company thinks is appropriate.

Moreover, in Proposal 2, the Company also proposes the election of Ms. Momose as its first female Director to ensure diversity of the Board of Directors.

Based on the principle of electing a candidate for Outside Director who has deep insight and is capable of taking responsibility for effectiveness of corporate governance, rather than making a minimum quota of certain members

(English Translation of the original Japanese Document)

the first priority, the Company identifies persons who can contribute to its sustained growth and improvement in the medium- to long-term corporate value and nominates them as candidates, thereby shaping the composition of the Board of Directors that ensures practical governance.

Moreover, the reasons for electing Haruhisa Ishizuka and Takumi Ueda are added below.

Haruhisa Ishizuka has led the Company's management for 39 years as a founder, and his broad business knowledge with excellent foresight and leadership have helped establish the current business base and corporate culture of the Company. He, as the agile pillar of all group companies, also contributed to expansion the Company's businesses under the theme of "sincerity" in the 40th term, the Company thinks that he is essential for its further growth in the future.

Takumi Ueda has been involved in the management as Director of the Company for 19 years, and since April 2017, he has led management as President of the Company. In establishing a corporate culture that puts customer satisfaction first and in realizing the Kyoritsu Jump Up Plan, which is the new medium-term management plan centering on the advanced development for quick creation of solid business base, he has demonstrated strong leadership and brought about progress that is faster than initially planned. Therefore, the Company considers that he is essential to achieve the plan. Moreover, the Company proposes the addition of one (1) person to Outside Directors and the election of its first female Director in Proposal 2 for this general meeting, and Mr. Ueda has recommended this proposal to the Board of Directors and also been proactively working on enhancement of governance and ensuring of diversity of the Company's Board of Directors. The Company has judged that his business experience, knowledge and leadership will be necessary for the Company in the future.

- (ii) The Company's view and supplementary explanation on candidate No. 2 (Toshiaki Miyagi) and candidate No. 3 (Tokio Kawashima) in Proposal 3 "Election of three (3) Directors who are Audit and Supervisory Committee Members"

Toshiaki Miyagi served as a person executing business of SMBC Nikko Securities Inc. until March 2004, but 15 years have passed since his retirement from this firm. The Company conducts transactions with not only said firm but also other securities companies, and said firm is not a specified associated service operator of the Company. As Mr. Miyagi satisfies the criteria for an independent officer as provided for by Tokyo Stock Exchange, Inc., the Company has submitted the notification.

In addition, he attended all of the monthly meetings of the Board of Directors held during the fiscal year under review. He possesses extensive experience and broad knowledge in business management through practical experience and involvement in management in the securities business sector for many years. Therefore, the Company has judged that he will continue to properly play a role as Outside Director for supervising management and deciding corporate strategy.

Tokio Kawashima served as a person executing business of MUFG Bank, Ltd. until March 2011, but eight years have passed from his retirement from this bank. The Company conducts transactions with said bank as well as many other financial institutions, and said bank is not a specified associated service operator of the Company. Mr. Kawashima satisfies the above criteria for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to submit notification concerning his appointment as an independent officer.

In addition, he has many years of working experience in a financial institution and possesses considerable knowledge regarding finance and accounting. Therefore, the Company has judged that he will properly play a role as a newly appointed Outside Director for supervising management and deciding corporate strategy.

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(Reference) Changes in the Company's ROE (Return on Equity)

	36th term	37th term	38th term	39th term	40th term
ROE (%)	10.8	11.4	11.7	12.9	12.6