

Fiscal Year ending March 2018 Interim Results Briefing (Apr. 1 – Sept. 30 / 2017)

October 31, 2017



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Plan for FY2018

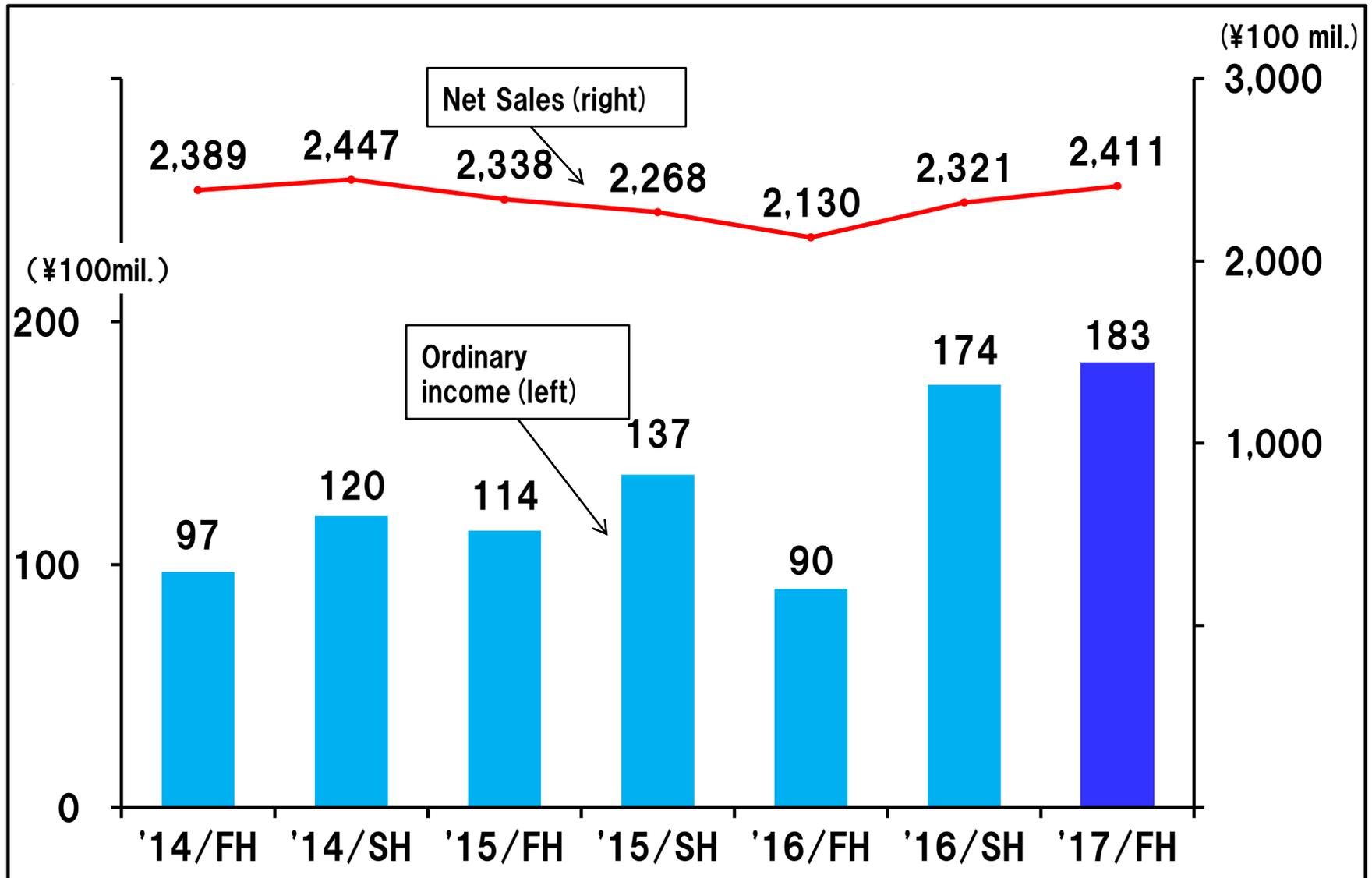
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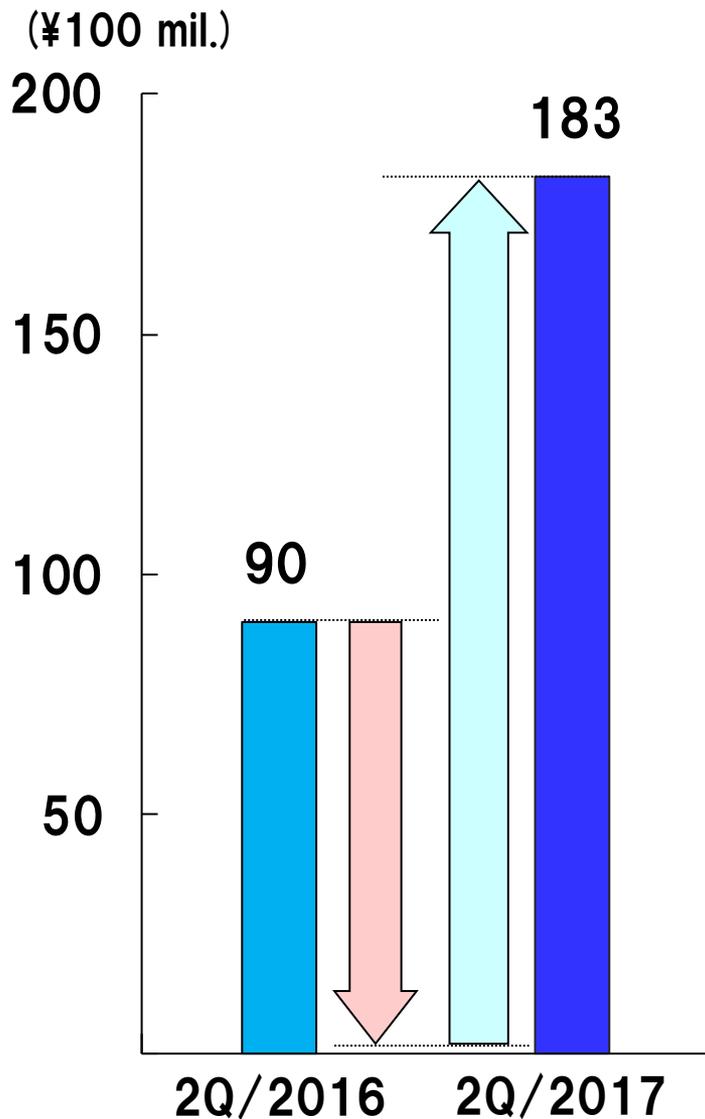
FY2018 Interim Results

(Apr.1 – Sep.30/2017)

Changes in Net Sales & Ordinary Income (Interim)



4-9/2017 Changes in Ordinary Income (y/y)



2Q/2016 Ordinary Income		
Changes (y/y)	Operating Income / Loss	Raw material/Fuel price
		Sales volume
		Sales price
		Sales mix
		Variable cost
		Fixed cost
		Subtotal
	Non-Operating income/loss	
2Q/2017 Ordinary Income		

(¥100 mil.)

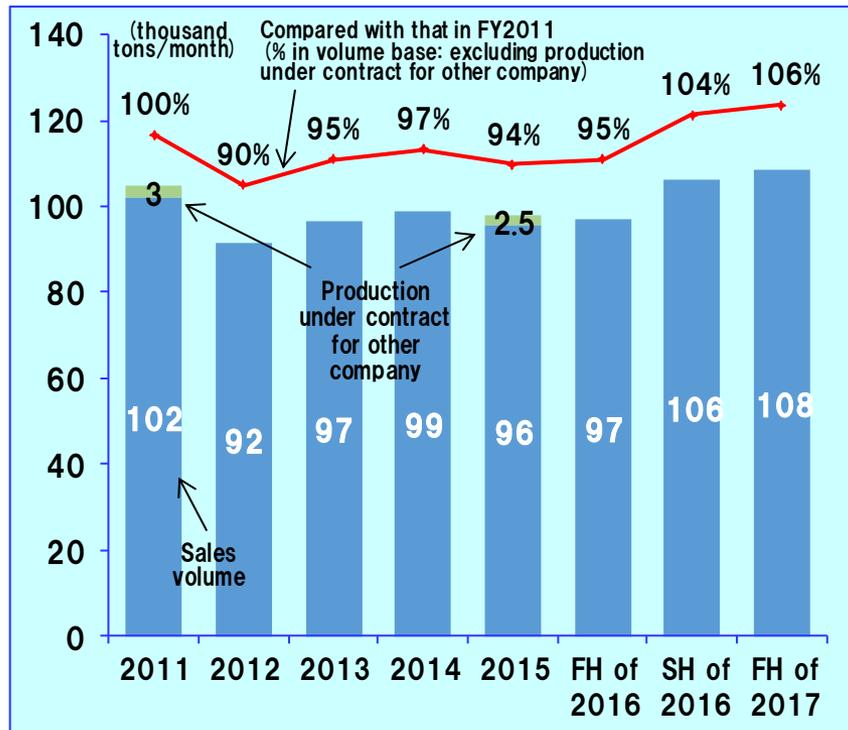
90	
-81	
	+61
	+74
	+36
	+9
-8	
-89	+180
	+2
183 (+93)	

Overview of our major products in FY2017 ①

Specialty steel

<Demand environment>

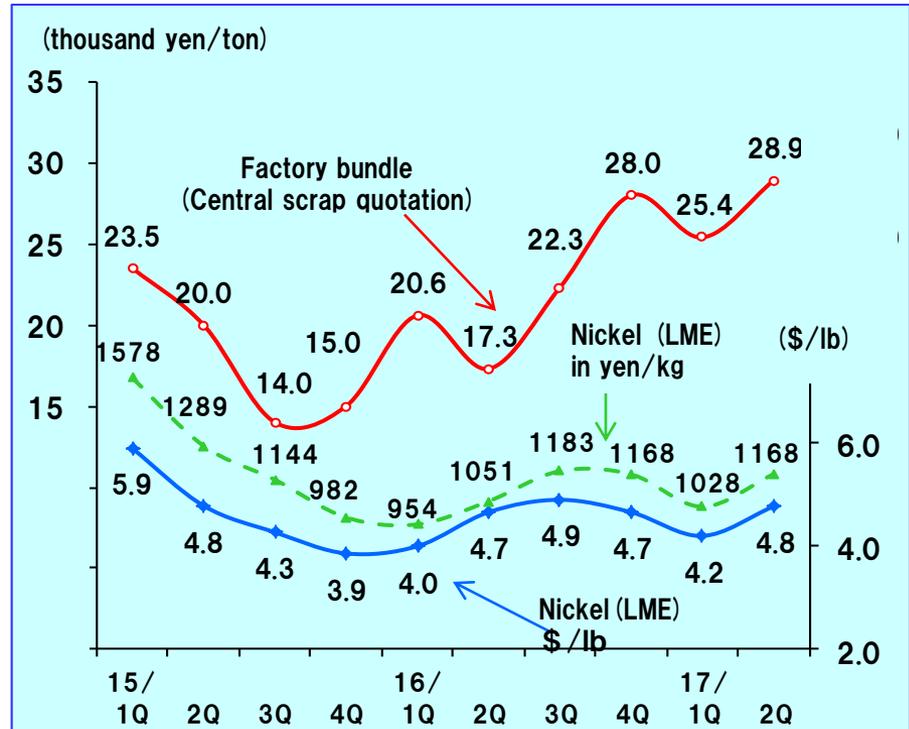
Specialty steel sales volume (non-consolidated)



- Demand from automobile industry has been high and steady. Due to increasing demand from China, demand from construction and industrial machinery has been also increasing.

<Market conditions of Raw Materials>

Changes in scrap iron and nickel prices

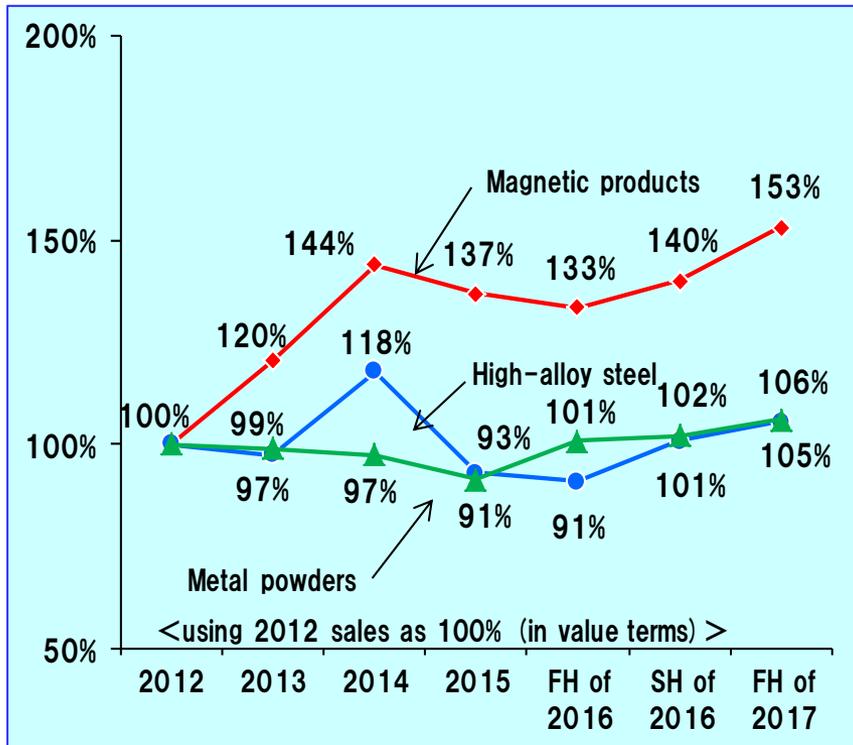


- Scrap iron: Price increased largely because the Chinese government cracked down on illegal producers of inferior "sub-standard" steel.
- Nickel: Price rose due to increasing demand for steel alloys.

Overview of our major products in FY2017 ②

High-performance and magnetic materials

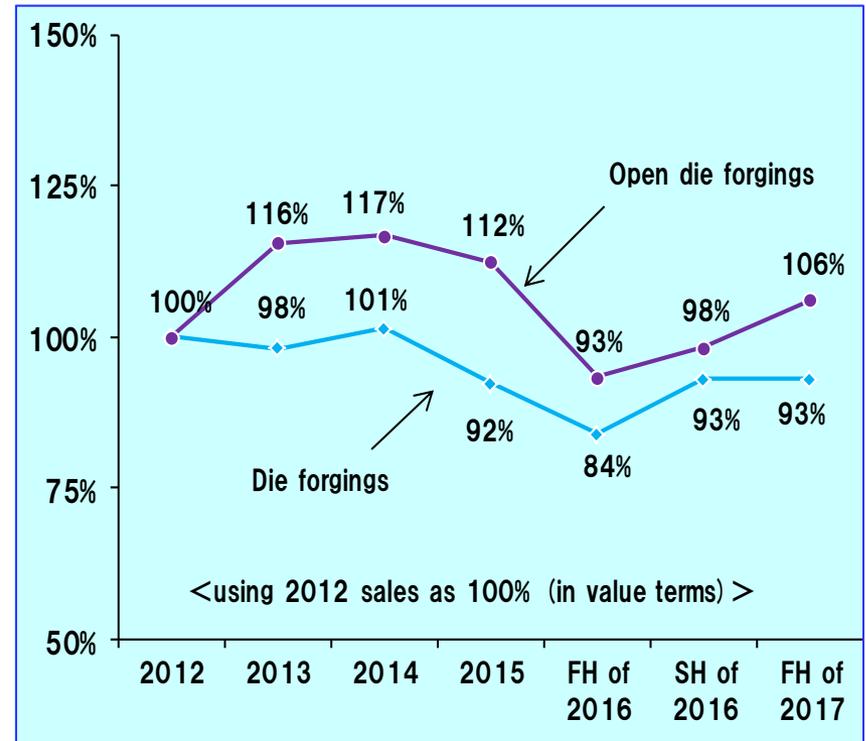
<High-alloy, magnetic products and metal powder>



- Magnetic products: Sales for automotive parts (EPS and others) remained strong.
- Metal powder: Demand stayed solid for automotive applications.
- High-alloy: Uptrend in demand in the field of automotive applications and others.

Parts for Automobile and Industrial Equipment

<Die forging and open die forging>



- Open die forging: Aircraft-related demand was strong, while oil-drilling demand still remains low. Semi-conductor-related demand increased.
- Die forging: Demand for automobile showed an upward trend.

4-9/2017 Net Sales & Operating Income by Segment

(¥100 mil.)

		4-9/2016	4-9/2017	y/y basis (B) - (A)
		Results (A)	Results (B)	
Specialty Steel	Net Sales	787	914	127
	Operating Income	26	48	22
High Performance Materials & Magnetic Materials	Net Sales	711	811	100
	Operating Income	75	108	33
Parts for Automobile & Industrial Equipment	Net Sales	467	517	50
	Operating Income	▲ 16	11	27
Engineering	Net Sales	115	105	-10
	Operating Income	3	7	4
Trading and Service	Net Sales	50	64	14
	Operating Income	8	13	5
Total	Net Sales	2,130	2,411	281
	Operating Income	96	187	91

Former Net Sales of
Specialty steel

volume
(tons)

581 thou.t 650 thou.t 69 thou.t

4-9/2017 Changes in Operating Income of Major Segments (y/y)

(¥100 mil.)

Segment			Specialty Steel	High Performance Materials & Magnetic Materials	Parts for Automobile & Industrial Equipment	Engineering
4-9/2016 Operating Income			26	75	▲16	3
Changes (y/y)	Operating Income / Loss	Raw material/Fuel price	-60	-17	-4	
		Sales volume		+23	+12	
		Sales price		+50	+19	
		Sales mix		+9	+6	+4
		Variable cost		+3	+4	+2
		Fixed cost	-3	-5		
		Subtotal	-63	+85	-22	+31
4-9/2017 Operating Income			48 (+22)	108 (+33)	11 (+27)	7 (+4)

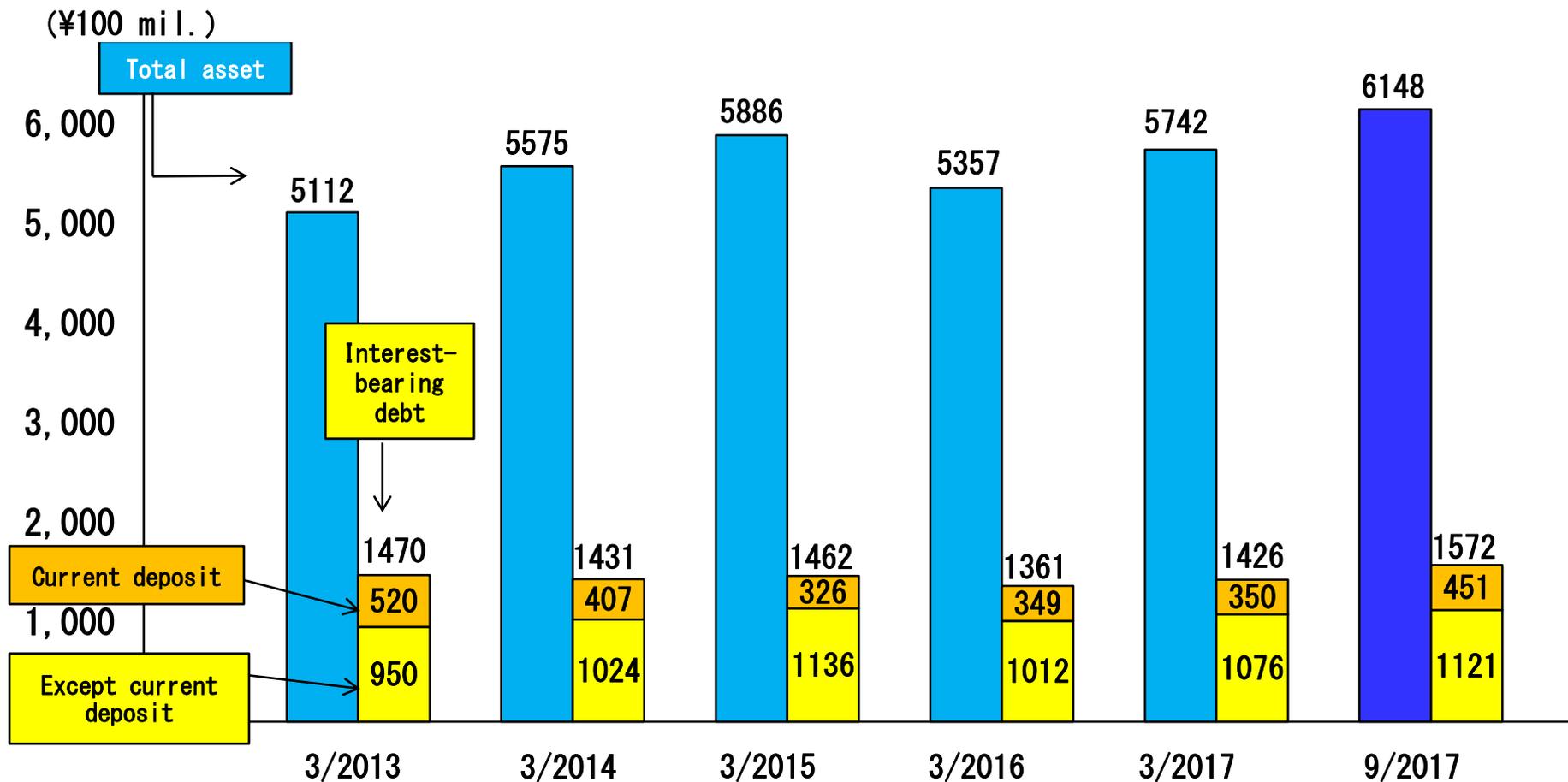
4-9/2017 Extraordinary Income/Loss - Interim Net Income

(¥100 mil.)

<p>FY2018 Interim results (4-9/2017) Ordinary income</p>	<p>183</p>
<p>Extraordinary income / loss</p>	<p>7</p>
<p>Income taxes and minority interests</p>	<p>▲71</p>
<p>FY2018 Interim results (4-9/2017) Net income <small>(※)</small></p>	<p>119</p>

※: The quarterly net income that is attributable to stockholders of the parent company.

Total Assets, Interest-bearing Debt, D/E Ratio



	3 / 2 0 1 3	3 / 2 0 1 4	3 / 2 0 1 5	3 / 2 0 1 6	3 / 2 0 1 7	9 / 2 0 1 7
ROA	3.2 %	3.8 %	3.8 %	4.5 %	4.8 %	6.2 %
D / E	0.69	0.62	0.57	0.58	0.55	0.57

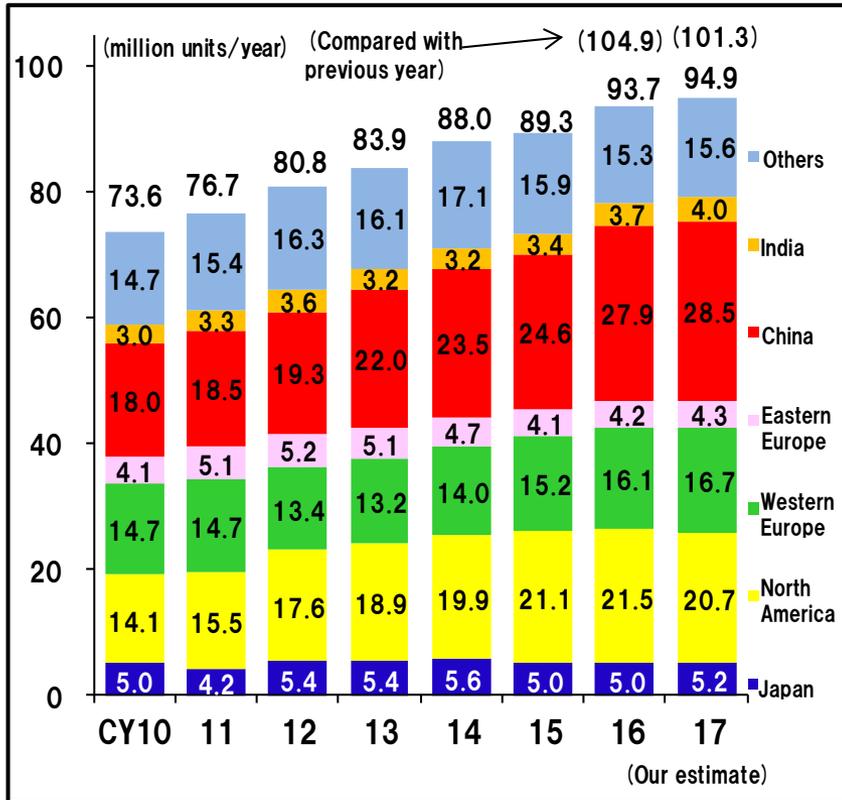
Plan for FY2018

(Apr.1 / 2017 – Mar.31 / 2018)

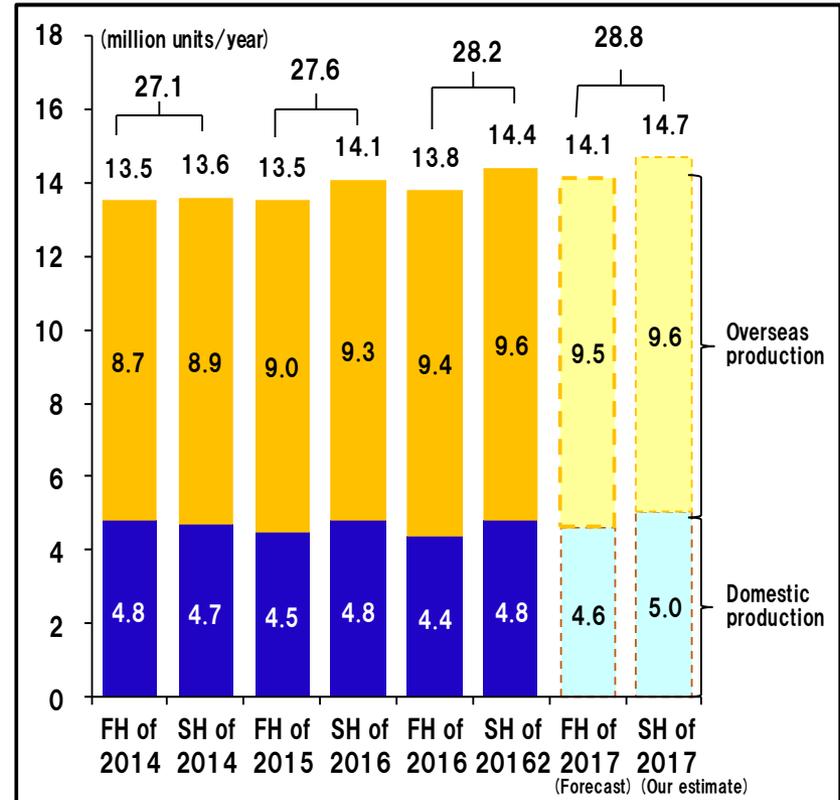
Outlook in the major markets <Automobiles>

Automobile-related demand

<Estimated global demand for automobiles>



<Prospective car production by Japanese car manufacturers>



➤ Global demand: The total demand is expected to grow even though North America will see a decline and the China's growth will slow down.

➤ Production by Japanese car manufacturers: Car production forecasts have been revised upward because both domestic and export sales are projected to grow.

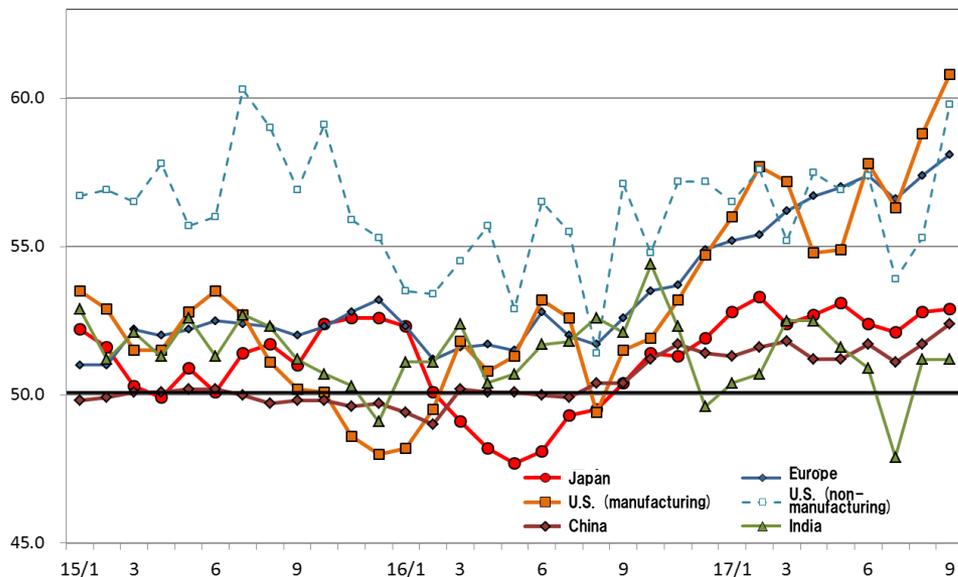
Outlook for the major markets <industrial machines>

Industrial machine-related demand

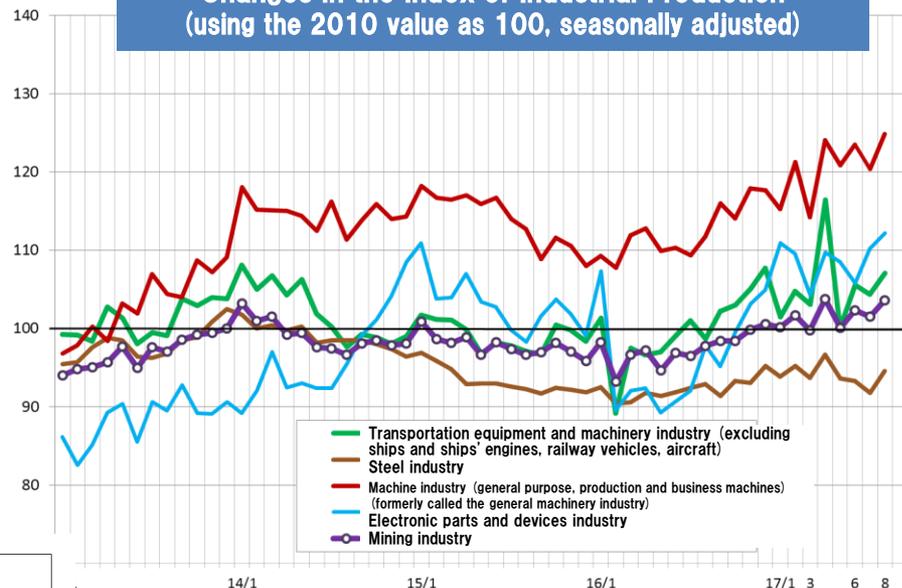
【Domestic market】

- The trend for export to China remains strong. Demand is solid for production of transportation equipment/production machinery.
- Demand for electronic parts and devices remained at a high level because semiconductor-related demand is strong.

→ Domestic demand is expected to remain robust especially in the fields of construction/industrial machinery and semiconductor production equipment.



Changes in the index of Industrial Production (using the 2010 value as 100, seasonally adjusted)



【Overseas markets】

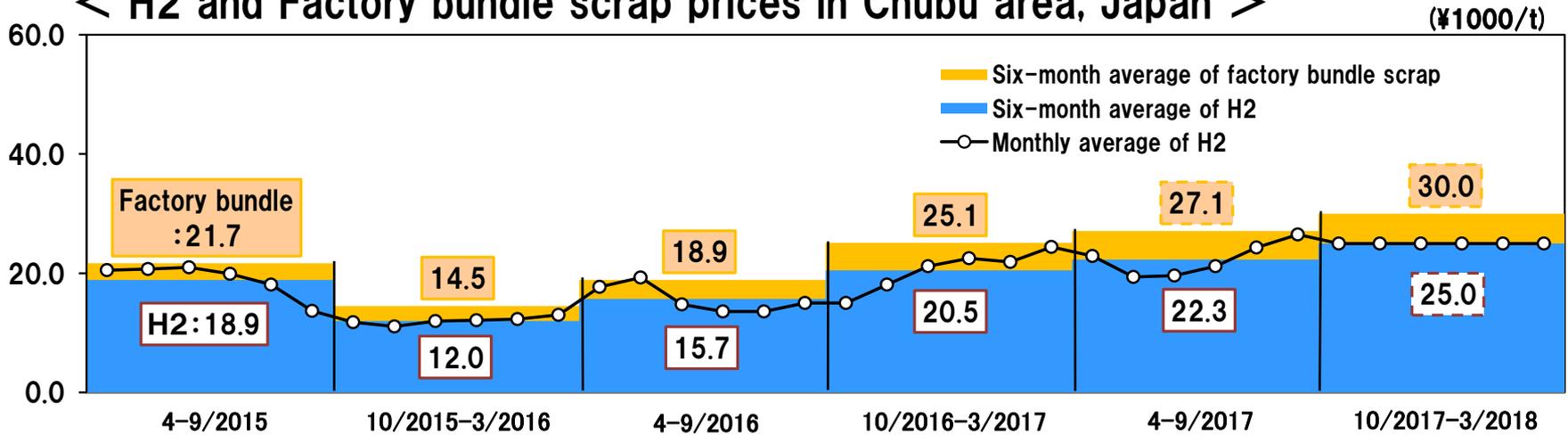
- In the US, business sentiment is high because new orders are growing and the job market is continuing to improve.

- In China, domestic demand is solid and exports are doing well. Car sales are strong, especially SUVs.

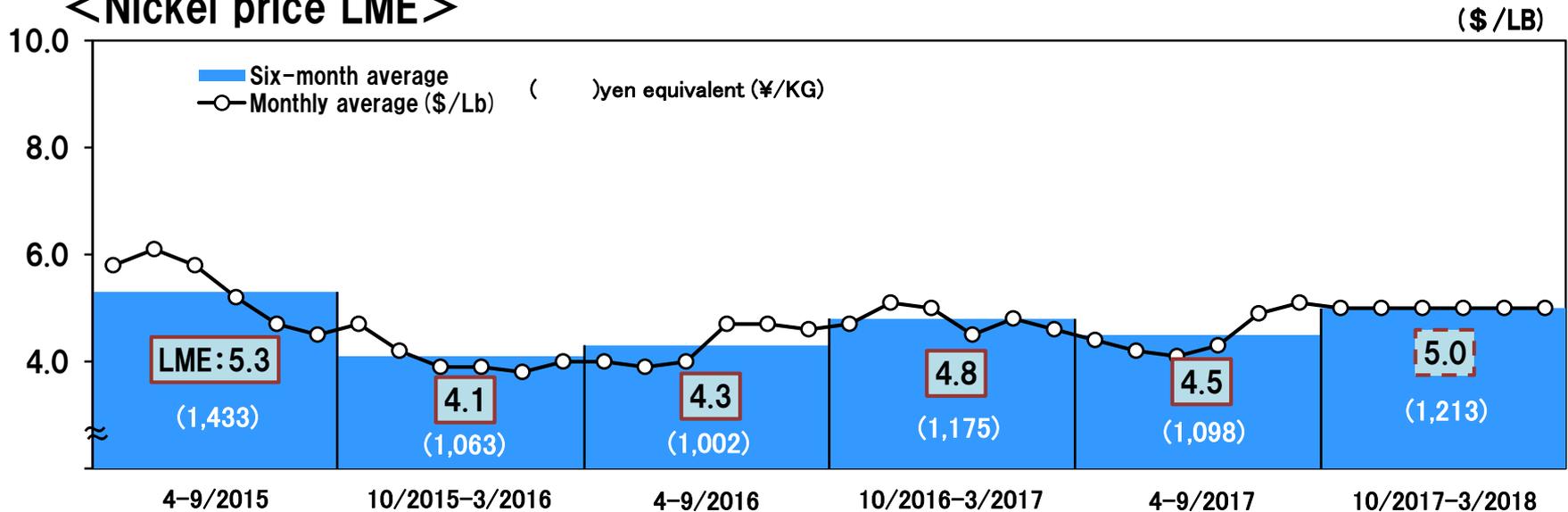
→ The favorable export environment is forecast to continue. (However, concerns remain about geopolitical risk associated with North Korea, etc.)

Market Trend of Raw Materials(Scrap Steel and Nickel)

< H2 and Factory bundle scrap prices in Chubu area, Japan >



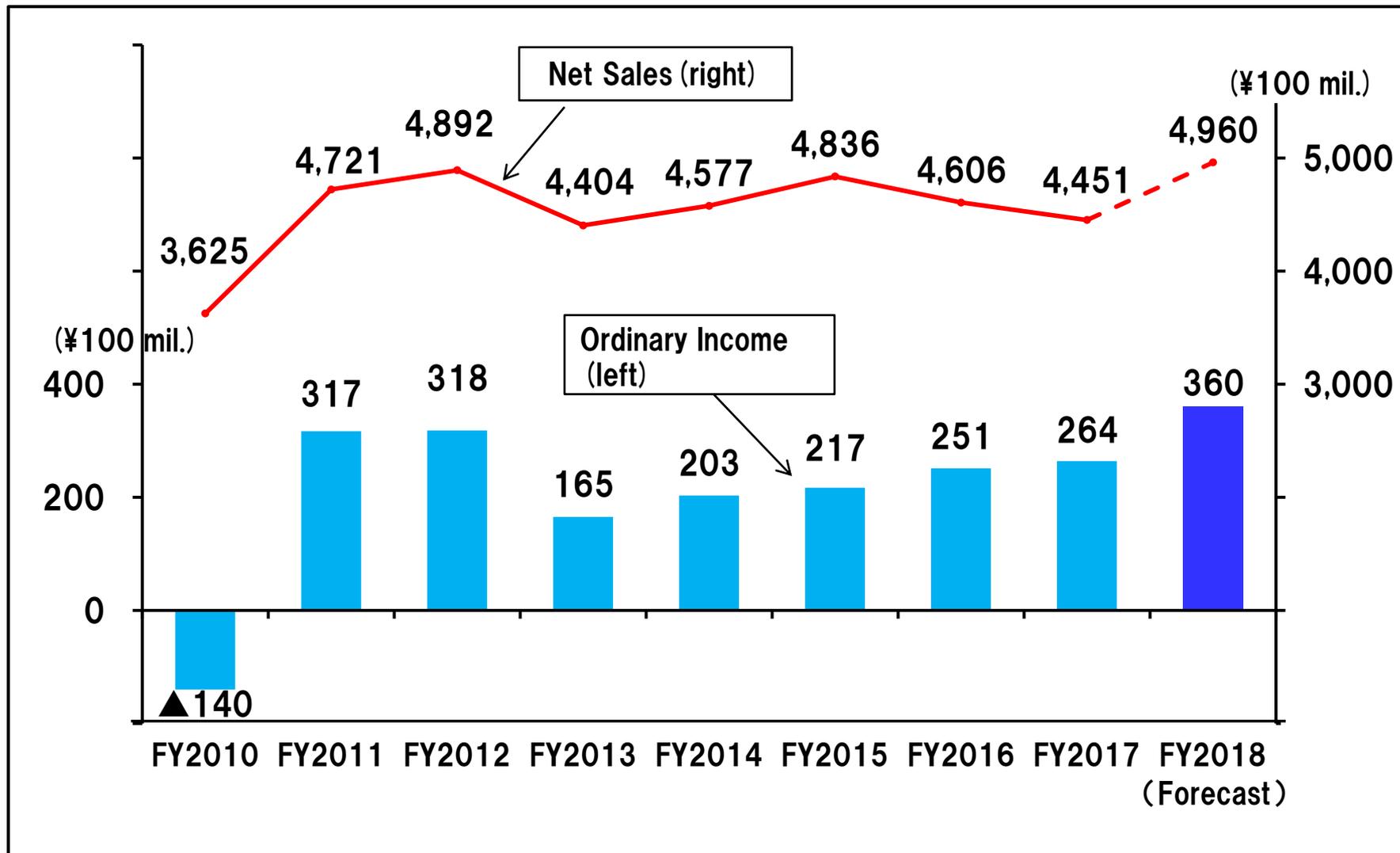
<Nickel price LME>



Premises of Profit Planning for FY2018 (Market Trend)

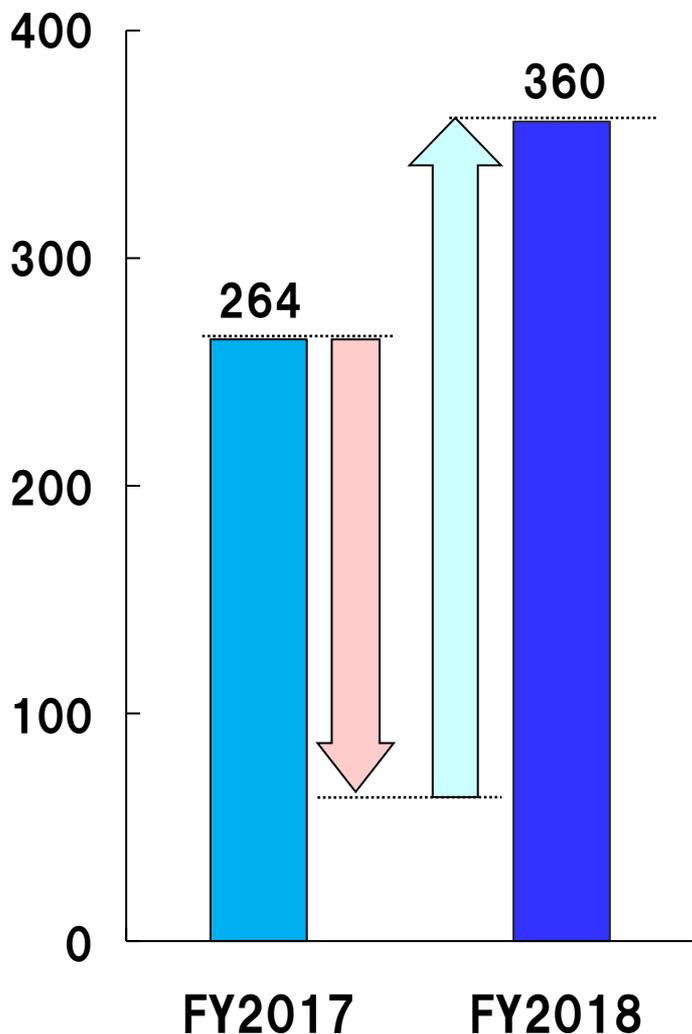
	UNIT	4-9/2017 Results (Difference with the original premise)	10/2017-3/2018 Premises of plan (Difference with the original premise)
Scrap steel Upper:H2 Lower:Factory bundle	千円 /t	22.3 (-0.7) 27.1 (+0.1)	25.0 (+2.0) 30.0 (+3.0)
Nickel (LME)	\$/LB	4.5 (-0.5)	5.0 (±0.0)
Molybdenum (MW)	\$/LB	8.1 (+1.1)	8.0 (+1.0)
Crude oil (Dubai)	\$/B	50.2 (-4.8)	50.0 (-10.0)
Exchange rate (TTM)	円/\$	111.1 (+1.1)	110.0 (±0.0)

Changes in Net Sales & Ordinary Income (Forecast for FY2018)



FY2018 Changes in Ordinary Income (y/y)

(¥100 mil.)



FY2017 Ordinary Income	
Changes (y/y)	Operating Income / Loss
	Raw material/Fuel price
	Sales volume
	Sales price
	Sales mix
	Variable cost
	Fixed cost
Subtotal	
Non-Operating income/loss	
FY2018 Ordinary Income	

(¥100 mil.)

FY2017 Ordinary Income	
264	
-188	
	+90
	+137
	+60
	+17
-11	
-199	+304
-9	
FY2018 Ordinary Income	
360 (+96)	

Net Sales & Operating Income by Segment(y/y)

(¥100 mil.)

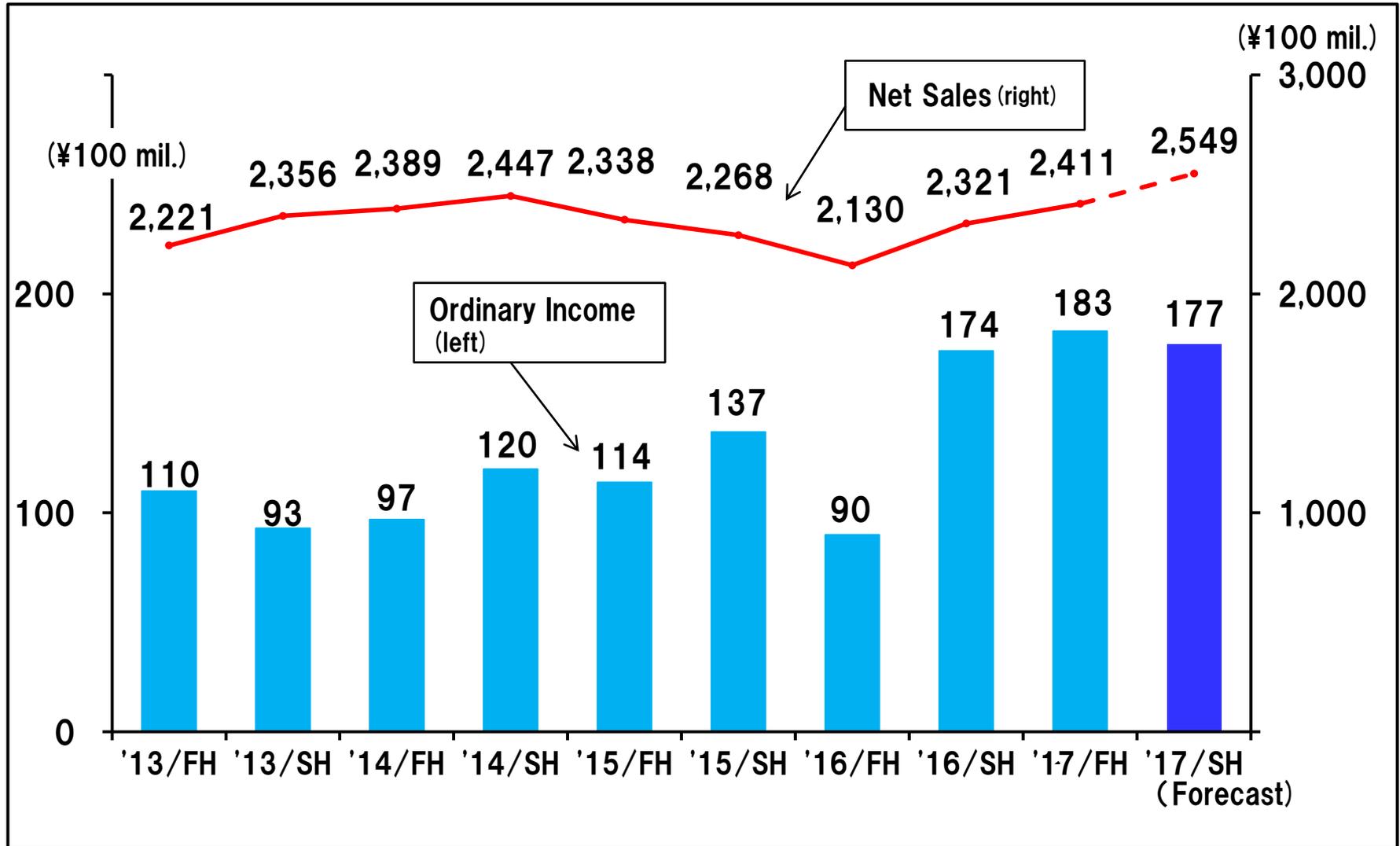
		FY2017 Results (A)	FY2018 Forecast (B)	y/y basis (B) - (A)
Specialty Steel	Net Sales	1,646	1,846	200
	Operating Income	58	71	13
High Performance Materials & Magnetic Materials	Net Sales	1,485	1,660	175
	Operating Income	174	225	51
Parts for Automobile & Industrial Equipment	Net Sales	975	1,075	100
	Operating Income	▲ 5	22	27
Engineering	Net Sales	239	235	-4
	Operating Income	12	16	4
Trading and Service	Net Sales	106	144	38
	Operating Income	16	26	10
Total	Net Sales	4,451	4,960	509
	Operating Income	255	360	105

Former Net Sales of
Specialty steel

volume
(tons)

1,219 thou.t 1,318 thou.t 99 thou.t

Changes in Net Sales & Ordinary Income (Interim)



Net Sales & Operating Income by Segment(Interim)

(¥100 mil.)

		FY2018		
		4-9/2017 Results	10/2017- 3/2018 Forecast	Full year Plan
Specialty Steel	Net Sales	914	932	1,846
	Operating Income	48	23	71
High Performance Materials & Magnetic Materials	Net Sales	811	849	1,660
	Operating Income	108	117	225
Parts for Automobile & Industrial Equipment	Net Sales	517	558	1,075
	Operating Income	11	11	22
Engineering	Net Sales	105	130	235
	Operating Income	7	9	16
Trading and Service	Net Sales	64	80	144
	Operating Income	13	13	26
Total	Net Sales	2,411	2,549	4,960
	Operating Income	187	173	360

Former Net Sales of
Specialty steel

volume
(tons)

650 thou.t 668 thou.t 1,318 thou.t

FY2018 Extraordinary Income/Loss · Net Income

(¥100 mil.)

FY2018 Ordinary income	360
Extraordinary income / loss	7
Income taxes and minority interest	▲137
FY2018 Net income^(※)	230

※: The net income that is attributable to stockholders of the parent company.

FY2018 Dividend per share

	FY2017		FY2018	
	Interim	Year-end	Interim	Year-end
Ordinary income (¥100 mil.)	90	264	183	360
Net income (※1) (¥100 mil.)	54	164	119	230
Dividend per share (※2) (¥/Share)	4.0	10.0	6.0	120
Payout ratio (%)	31.5	25.9	21.5	22.2

※1: The net income that is attributable to stockholders of the parent company.

※2: We implemented a reverse stock split which makes one for ten common stocks on October 1, 2017

Major Topics

Stainless steel: Strategic positioning of expanded melting capacity

【Strategic policy】

Expand the Chita Plant's capacity for producing strategic products.

【Basic strategy】

•Business basis:

Increases the capacity to produce steel products and crude products for automotive applications.

- Contributes to energy saving.
- Meets quality needs.

【Execution strategy】

◆Consolidate some of the existing production capacity into a single line dedicated to large-lot steel products for automotive applications.
(150-ton electric furnace - Continuous Casting Machine No.1)

◆Enlarge an electric furnace.
•This results in higher energy efficiency.
(Increased throughput; introduction of advanced technologies)

Completed in Nov. 2013

•Expands the production capacity for "high-end" steel, using the capacity made available by consolidating the automotive-related production capacity into Continuous Casting Machine No. 1.

◆Improve the continuous casting ratio.
◆Expand the stainless steel production capacity.
(Makes better use of Continuous Casting Machine No. 2 in combination with other *Kaizen* efforts)

To be completed in 2019

Stainless steel: Expand the melting capacity



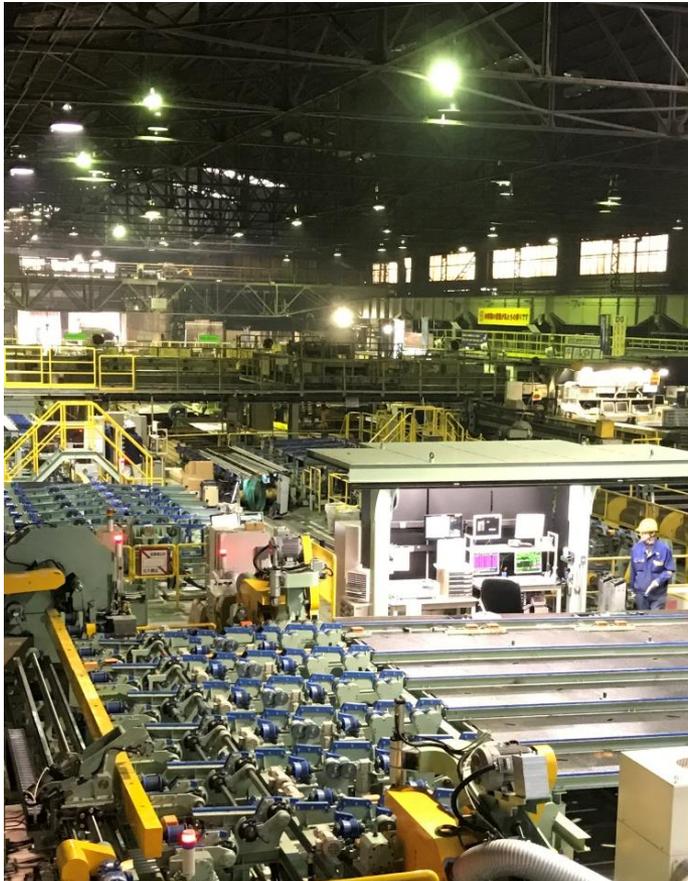
Make the Chita Plant more energy-efficient and expand its “high-end” steel production capacity.

Improve the continuous casting ratio.
(This contributes to more energy conservation.)

Meet the increasing demand for stainless steel due to stricter environmental regulations on automobiles.

- Amount to be invested: 4 billion yen
- Start of operation: 2019 (planned)

Stainless steel bars: Expand the machining (peeling) capacity



Improve the Hoshizaki Plant's production efficiency and expand its "high-end" steel production capacity.

Meet the increasing demand for stainless steel due to stricter environmental regulations on automobiles.

Reduce the production lead time. Strengthen the quality assurance system.

• Amount to be invested: 1 billion yen

• Start of operation:

Jan. 2017 (1st stage construction completed)

End of 2017 (2nd stage construction to be completed)

Expand the special re-melting process capacity



Improve the production capacity for high-value added products (“high-end steel”)

Expand the production capacity for high-alloy steel, etc. for aircraft-related demand

Meet the increasing demand for stainless steel for semiconductor-related applications.

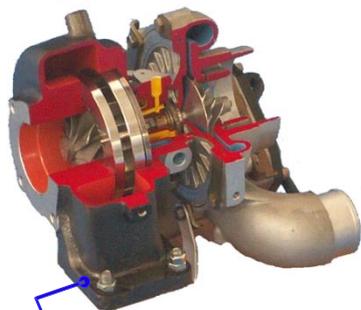
- Amount to be invested: approx. 4 billion yen
- Start of operation: 2019 (planned)

High-performance and magnetic materials

Stainless steel products

Expand the production capacity for high-growth products

- Stainless steel for heat-resistant bolts for automobiles
- Gas filters for semiconductor manufacturing equipment
- Amount to be invested: 3.5 billion yen
- Start of operation: 2019 (planned)



Heat-resistant bolts for turbo engine cars

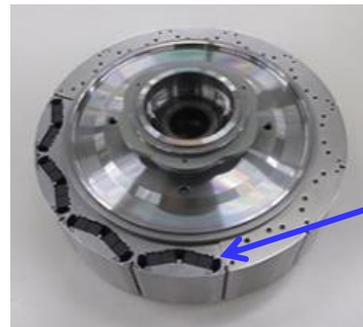


Gas filters

Magnetic products

Expand the production capacity for automotive motor magnets

- Magnets supplied to satisfy the demand for HEV drive motors, etc.
- Amount to be invested: 1.5 billion yen
- Start of operation: April 2018 (planned)



Magnets for HEV drive motors: Magnets that are completely free of heavy rare earth elements.

Parts for Automobile and Industrial Equipment

Engine valves

Expand production capacity in an effort to increase our share of the world market

- Expand our overseas production capacity.
- Strengthen our hollow valve business.
(New production line: To become operational by the end of FY2018)

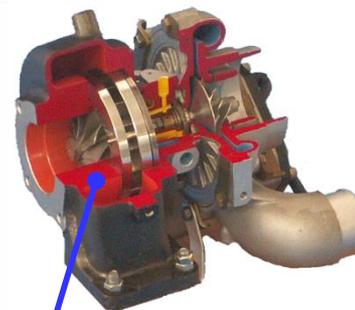


Hollow valves

Turbocharger components

Meet the increased turbocharger-related demand

- Double our turbine housing production capacity
- Turbine housing manufacturing plant No. 2 is under construction and on schedule.
- Start of operation: Jan. 2018 (planned)



Turbine housing



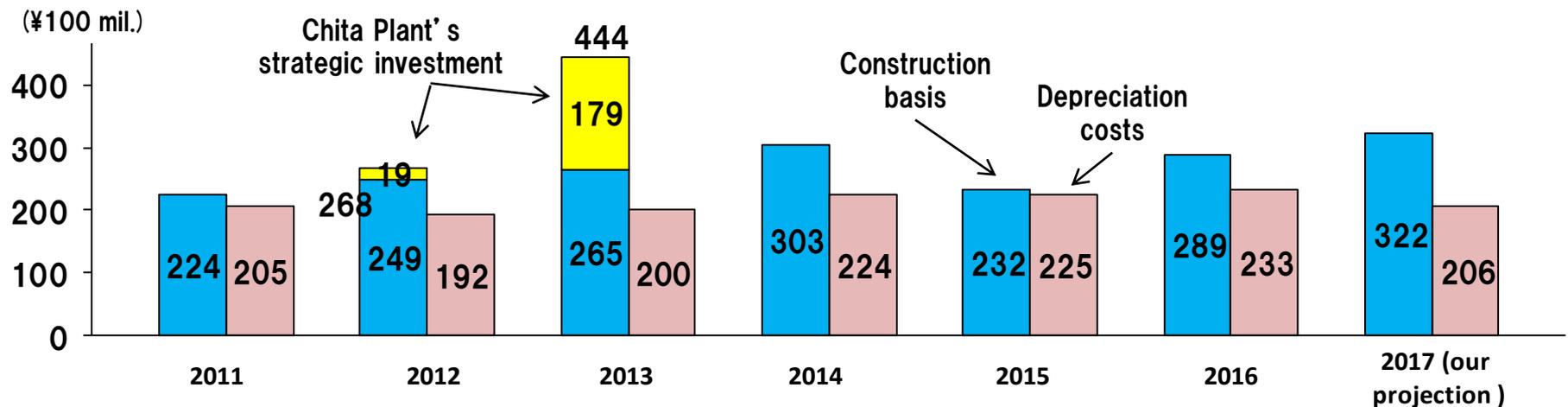
Turbine housing plant No. 2

Capital investment

**Continue our investment plan of focusing on our strategic businesses.
(Major investment projects)**

- <Expand businesses that have prospects for growth>
- <Reduce energy costs>
- <Enhance production capacity>
- Turbocharger components and engine valves
- Install oxy-fuel burners for heating electric furnaces ladles.
- Expand machining (peeling) capacity.

Changes in capital investment and depreciation costs



Fact Book

Fact Book Financial highlight

Consolidation

(¥1 mil.)

	'12/3	'13/3	'14/3	'15/3	'16/3	'17/3	'12/9	'13/9	'14/9	'15/9	'16/9	'17/9
Net sales	489,154	440,428	457,731	483,633	460,577	445,122	233,724	222,123	238,917	233,832	213,010	241,119
Operating income	31,533	15,425	18,977	20,408	24,432	25,513	9,604	10,562	8,664	10,757	9,643	18,726
Ordinary income	31,762	16,475	20,287	21,729	25,108	26,373	9,304	11,033	9,670	11,431	9,023	18,320
Net income	22,717	10,983	12,616	10,886	6,746	16,386	5,507	6,771	4,116	2,037	5,363	11,890
R & D expenses	4,360	4,560	5,160	5,300	5,766	6,206	2,065	2,449	2,671	2,716	3,158	2,770
Capital investment(Plan)	39,700	25,400	26,400	20,600	28,300	32,800	10,200	10,700	10,900	16,100	15,800	20,300
Capital investment(Construction)	22,400	26,800	44,400	30,300	23,200	28,900	-	-	-	-	-	-
Depreciation	20,463	19,229	20,052	22,436	22,454	23,275	9,390	9,352	10,650	11,039	11,087	10,023
Financial account balance	▲744	▲362	28	719	949	904	▲268	▲136	396	541	432	429
Total assets	512,968	511,159	557,522	588,590	535,675	574,169	500,213	548,455	568,193	567,439	523,304	614,828
Equity	198,653	211,921	232,153	256,022	232,832	259,851	196,338	225,031	237,892	250,255	231,600	274,221
Interest-bearing debt	156,336	146,999	143,085	146,208	136,114	142,599	149,129	152,141	146,470	146,461	133,172	157,201
Pay roll number	10,365	10,447	10,709	10,855	11,036	11,498	10,587	10,827	10,927	11,126	11,574	11,843
ROA(%)	6.3	3.2	3.8	3.8	4.5	4.8	3.7	4.2	3.4	4.0	3.4	6.2
ROE(%)	12.1	5.4	5.7	4.5	2.8	6.7	5.6	6.2	3.5	1.6	4.6	8.9
Consolidated subsidiary number	33	32	33	34	36	34	32	33	33	35	35	36
(Equity method affiliate number is excluded from the above)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Ratio of the consolidated to the non-consolidated												
Net sales	1.6	1.6	1.6	1.6	1.6	1.7						
Ordinary income	1.7	1.8	1.9	1.8	1.6	1.5						
Net income	1.3	1.7	1.6	2.5	1.2	1.1						

*Long-term prepaid expenses are not included in the depreciation. Net income after 2015 belongs to stockholder of parent company.

Fact Book Net Sales & Operating Income by Segment

Consolidation

<New segment(From Apr.1st in 2012)>

(¥100 mil.)

		'12/3	'13/3	'14/3	'15/3	'16/3	'17/3
Speciality Steel	Net Sales	1,950	1,694	1,841	1,891	1,705	1,646
	Operating Income	99	35	17	32	75	58
High Performance Materials & Magnetic Materials	Net Sales	1,646	1,368	1,435	1,618	1,553	1,485
	Operating Income	137	66	111	135	123	174
Parts for Automobile & Industrial Equipment	Net Sales	942	933	970	994	997	975
	Operating Income	49	34	38	10	13	▲ 5
Engineering	Net Sales	258	320	241	229	261	239
	Operating Income	18	8	11	17	21	12
Trading and Service	Net Sales	96	89	90	104	90	106
	Operating Income	12	11	13	10	12	16
Total	Net Sales	4,892	4,404	4,577	4,836	4,606	4,451
	Operating Income	315	154	190	204	244	255

(¥100 mil.)

		'11/4-9	'11/10-3	'12/4-9	'12/10-3	'13/4-9	'13/10-3	'14/4-9	'14/10-3	'15/4-9	'15/10-3	'16/4-9	'16/10-3	'17/4-9
Speciality Steel	Net Sales	962	988	902	792	887	1,004	951	940	859	846	787	859	914
	Operating Income	37	62	24	11	23	9	6	26	21	54	26	32	48
High Performance Materials & Magnetic Materials	Net Sales	829	817	721	647	705	913	787	831	807	746	711	774	811
	Operating Income	74	63	41	25	54	81	67	68	63	60	75	99	108
Parts for Automobile & Industrial Equipment	Net Sales	463	479	475	458	471	523	492	502	494	503	467	508	517
	Operating Income	20	29	18	16	23	▲ 13	4	6	8	5	▲ 16	11	11
Engineering	Net Sales	109	149	193	127	111	118	107	122	132	129	115	124	105
	Operating Income	8	10	6	2	▲ 1	18	3	14	10	11	3	9	7
Trading and Service	Net Sales	50	46	46	43	47	57	52	52	46	44	50	56	64
	Operating Income	7	5	7	4	7	3	7	3	6	6	8	8	13
Total	Net Sales	2,413	2,479	2,337	2,067	2,221	2,615	2,389	2,447	2,338	2,268	2,130	2,321	2,411
	Operating Income	146	169	96	58	106	98	87	117	108	136	96	159	187

Fact Book List of consolidated companies ①

Segment	Company	Business Contents
Specialty steel	Daido PDM (Thailand) Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials (in Thailand)
	Daido Die & Mold Solutions Co., Ltd.	Sales of tool steel / Production and sales of die products and finished tool / heat-treatment of metal
	Daido TIEN WEN Steel Co., Ltd.	Heat treatment, processing, sales of die products / Sales of die materials (in Taiwan)
	DAIDO AMISTAR(M) SDN. BHD.	Processing, sales of die products / Sales of die materials (in Malaysia)
	DAIDO DMS SINGAPORE PTE Ltd.	Processing, sales of die products / Sales of die materials (in Singapore)
	DAIDO SHIZAI SERVICE Co., Ltd.	Sales of materials for production
	DAIDO TECHNICA CO., LTD.	Seam-removing, maintenance, processing of steel
	DAIDO ECOMET CO., LTD.	Development, production, sales of indirect materials for steel-making / recycling of waste and by-products from steel-making-process
	RIKEN SEIKO CO., LTD. *	Production and sales of Specialty steel secondary products (shaft bearing) , cutting tool and machine tool
	Tohoku Steel Co., Ltd. *	Production and sales of specialty steel secondary products / heat-treatment of metal
	MARUTA TRANSPORT CO., LTD. *	Transportation and warehousing business
	SAKURAI KOSAN CO., LTD. *	Heat treatment works, surface treatment
High Performance Materials & Magnetic Materials	izumi electric industries co., ltd. *	Design and construction of electric work / Design and production of power distribution board
	KAWAICHI SANGYO CO.LTD. *	Transportation and warehousing business
	Nippon Seisen Co., Ltd.	Production and sales of stainless steel wire, metallic fiber
	THAI SEISEN Co., Ltd.	Production and sales of stainless steel wire
	Daido Electronics Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts
	Daido Electronics (Suzhou) Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts (in China)
	Daido Electronics (Thailand) Co., Ltd.	Production, processing and sales of magnetic materials and electronic device parts (in Thailand)
	SHIMOMURA TOKUSYU SEIKO CO., LTD.	Drawing of free-cutting steel & stainless steel / Production and sales of grinding processed products
NISSEI SEIKO CO., LTD.	Production and sales of screw, bolt and cold-forging parts for automobile	

Fact Book List of consolidated companies ②

Segment	Company	Business Contents
Automobile & Industrial parts	Daido Castings Co., Ltd.	Production and sales of casting, precise casting, manganese rail
	FUJI OOZX Inc.	Production and sales of engine valve
	FUJI VALVE (GUANGDONG) CORPORATION	Production and sales of engine valve(in China)
	JAPAN DROP FORGE CO., LTD.	Production and sales of die forging
	TOYO SANGYO CO., LTD.	Production and sales of die forging
	DAIDO STAR TEKUNO Co., Ltd.	Seam-removing, maintenance, device processing of steel and forging
	Daido Precision Industries Ltd.	Production and sales of processing parts for compressor, power transmission, base-isolation device
	OHIO STAR FORGE CO.	Production and sales of precise forging (in U.S.)
	Daido Steel (Thailand) Co., Ltd.	Production and sales of die forging
Engineering	Daido Machinery Ltd.	Production and sales of machine tool / Installation, maintenance and repair of machine equipment
	Daido Environment Engineering Co., Ltd.	Maintenance and repair of environment device
	DAIDO PLANT INDUSTRIES CO., LTD.	Design, production, sales of industrial furnace, facility equipment and ancillary facility
Trading & Service	Daido Kogyo Co., Ltd.	Trading company specializing in specialty steel, equipment, steel-making materials
	DAIDO LIFE SERVICE CO., LTD.	Dealing and subdivision of real estate / Management of welfare provision / Insurance agent travel agent, printing
	Daido Steel (Shanghai) Co., Ltd.	Export & import of DAIDO group products / Group's front company for China (in China)
	DAIDO BUNSEKI RESEARCH, INC.	Analysis, research, consulting regarding iron, steel, cast metal, ceramics
	Star Info Tech Co., Ltd.	Planning, design, development, maintenance of information system / Development and sale of software
	Life Support., Ltd.	Cleaning, security, food-service operating, management of facility, tree-planting, labor dispatch service
	KISOKOMAKOGEN KANKOKAIHASTU CO., LTD.	Management of golf course / management of land for vacation house / minor water project
	Daido Steel (America) Inc.	Export & import of DAIDO group products / Group's front company for U.S. (in U.S.)
	The silent partnership which makes TAKAKURA FUNDING CORPORATION LTD. a business operator	Owning a commercial complex

(Note)

Figures such as the business forecasts described in this document are based on specific assumptions which are predictable under the present state.

However, changes in circumstances could lead to different business outcomes, so blind reliance on this data as decision criterion is not recommended.

Also predicted figures can be changed in the future without prior notice. All use of this document is at the volition and discretion of the user. Please be aware that our company shall not assume any responsibility for the results of using the information in this document.