Financial Information as of March 31, 2017

(The English translation of the
"Yukashoken-Houkokusho" for
the year ended March 31, 2017)

Daitobo Co., Ltd.

【Cover】

【Document Submitted】	Securities Report (“*Yukashoken-Houkokusho*”)
【Article of the Applicable Law Requiring Submission of This Document】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Law
【Filed to】	Director of the Kanto Local Finance Bureau
【Date of Filing】	June 27, 2017
【Business Year】	197th Fiscal Year (From April 1, 2016 to March 31, 2017)
【Company Name】	Daitobo Kabushiki Kaisha (former Daito Boshoku Kabushiki Kaisha)
【Company Name (in English)】	Daitobo Co., Ltd. (former Daito Woolen Spinning & Weaving Company, Limited) Notes: According to the resolution of the 196th general meeting of stockholders held on June 24th, 2015, the original company name Daito Boshoku Kabushiki Kaisha (Daito Woolen Spinning & Weaving Co., Ltd.) was officially renamed as Daitobo Kabushiki Kaisha(Daitobo Co., Ltd.) since Sep. 1st, 2016.)
【Position and Name of Representative】	Kazuhiro Yamauchi, President and Representative Director
【Location of Head Office】	1-6-1 Nihonbashihon-cho, Chuo-ku, Tokyo, Japan
【Phone No.】	+81-3-6262-6557
【Contact for Communications】	Shogo Mieda, Director and Executive Officer, General Manager of Business Management Headquarters
【Nearest Office to Contact】	1-6-1 Nihonbashihon-cho, Chuo-ku, Tokyo, Japan
【Phone No.】	+81-3-6262-6557
【Contact for Communications】	Shogo Mieda, Director and Executive Officer, General Manager of Business Management Headquarters
【Place Where Documents are Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya, Japan)

Part I Information on the Company

1. Overview of the Company

1. Key financial data and trends

(1) Consolidated financial data

Fiscal year		193rd	194th	195th	196th	197th
Year ended		March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Net sales	Thousands of yen	8,179,708	7,548,836	5,937,473	5,407,011	4,701,997
Ordinary income (loss)	Thousands of yen	53,333	77,905	(519,849)	74,797	267,602
Profit (loss) attributable to owners of parent	Thousands of yen	15,410	27,966	(644,117)	124,831	156,079
Comprehensive income	Thousands of yen	156,060	239,767	(279,051)	149,864	28,755
Net assets	Thousands of yen	4,790,170	4,429,546	4,150,472	4,300,315	4,329,588
Total assets	Thousands of yen	22,054,350	20,778,686	20,405,300	18,996,244	19,093,785
Net assets per share	Yen	144.57	147.98	138.65	143.66	144.63
Basic earnings (loss) per share	Yen	0.51	0.93	(21.52)	4.17	5.21
Diluted earnings per share	Yen	—	—	—	—	5.21
Equity ratio	%	19.6	21.3	20.3	22.6	22.7
Rate of return on equity	%	0.4	0.6	(15.0)	3.0	3.6
Price earnings ratio	Times	137.3	78.5	(3.4)	14.4	14.0
Cash flows from operating activities	Thousands of yen	610,417	308,124	92,427	(229,557)	528,592
Cash flows from investing activities	Thousands of yen	(52,597)	(408,051)	(127,119)	50,264	343,770
Cash flows from financing activities	Thousands of yen	(414,053)	54,863	(27,045)	(52,686)	109,641
Cash and cash equivalents at end of the period	Thousands of yen	1,093,231	978,786	919,966	687,297	1,668,446
Employees (the average number of part-time employees not included)	Persons	105 (564)	105 (447)	102 (70)	101 (35)	101 (7)

Notes: 1. Net sales are presented exclusive of consumption tax, etc. (meaning both national and local consumption taxes; likewise hereafter).

2. Diluted earnings per share for the 193rd, 194th, and 196th fiscal year are not presented because Daitobo Co., Ltd (the "Company") had no securities with dilutive effects. Diluted earnings per share for the 195th fiscal year are equivalent to net loss per share and not presented because the Company had no securities with dilutive effects.

(2) Non-consolidated financial data

Fiscal year		193rd	194th	195th	196th	197th
Year ended		March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Net sales	Thousands of yen	5,064,798	4,450,019	5,075,136	4,265,457	3,705,812
Ordinary income (loss)	Thousands of yen	2,396	43,520	(755,331)	38,532	153,501
Profit (loss)	Thousands of yen	(18,387)	13,907	(769,940)	238,438	93,971
Capital stock	Thousands of yen	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Number of shares issued	Shares	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Net assets	Thousands of yen	4,440,239	4,448,619	3,940,439	4,250,889	4,361,418
Total assets	Thousands of yen	20,895,398	20,279,933	19,139,378	18,524,091	18,653,452
Net assets per share	Yen	148.33	148.61	131.64	142.01	145.69
Cash dividends per share (Interim cash dividends included herein)	Yen	— (—)	— (—)	— (—)	— (—)	— (—)
Basic earnings (loss) per share	Yen	(0.61)	0.46	(25.72)	7.97	3.14
Diluted earnings per share	Yen	—	—	—	—	3.14
Equity ratio	%	21.2	21.9	20.6	22.9	23.4
Rate of return on equity	%	(0.4)	0.3	(18.4)	5.8	2.2
Price earnings ratio	Times	(114.8)	158.7	(2.8)	7.5	23.2
Dividend payout ratio	%	—	—	—	—	—
Employees (the average number of part-time employees not included)	Persons	46 (14)	51 (11)	46 (9)	51 (5)	50 (4)

Notes: 1. Net sales are presented exclusive of consumption tax, etc.

2. Diluted earnings per share for the 194th and 196th fiscal year are not presented because the Company had no securities with dilutive effects. Diluted earnings per share for the 193rd and 195th fiscal year are equivalent to net loss per share and not presented because the Company had no securities with dilutive effects.

2. History

February1896	Established Tokyo Muslin Spinning & Weaving Company, Limited
September 1911	Commenced the manufacture of wool tops
June 1921	Merged Tokyo Calico Weaving Company, Limited
February 1923	Started the operations of Nagoya Wool-weaving Factory
December 1936	Changed the company name to Daito Woolen Spinning & Weaving Company, Limited
June 1941	Merged Numazu Woolen Company, Limited
March 1944	Changed the company name to Daito Industry Company, Limited
May 1947	Changed the company name to Daito Woolen Spinning & Weaving Company, Limited
May 1949	Listed the Company’s stock on the Tokyo Stock Exchange
November 1960	Launched apparel business
October 1961	Listed the Company’s stock on the Nagoya Stock Exchange
February 1974	Established PENTA Sports Co., Ltd. (currently Rockingham PENTA Co., Ltd.) and launched medium-lightweight apparel business
October 1980	Commenced the manufacture of bed and bedding products
December 1981	Constructed a shopping center SUN TERRACE SUNTO (currently SUN TO MOON ANNEX) in Mishima’s suburbs and started leasing operations
December 1990	Separated Niigata Branch Factory (woolen quilt manufacturing) and established Niigata Daitobo Co., Ltd.
March 1991	Separated Bed and Bedding Sales Division and established Daitobo Shinso Co., Ltd.
July 1996	Developed a new shrink-resistant finish material (EWOOL)
September 1996	Established Daitobo Estate Co., Ltd. as an operating and management company for shopping centers
April 1997	Constructed a shopping center SUN TO MOON Kakitagawa in Mishima’s suburbs (the 1st stage development) and started leasing operations
August 2000	Established a clothing manufacturer NINGBO SHANSHAN DADONG GARMENTS CO., LTD.. in Ningbo, China as a joint venture with Shanshan Group Co., Ltd. of China
November 2001	Established Shanghai Office
September 2005	Established a clothing manufacturer NINGBO SHANJING APPAREL CO. LTD. (currently an affiliated company) in Ningbo, China as a joint venture with Shanshan Group Co., Ltd. of China
October 2006	Relocated the head office from Nihonbashihakozaki-cho to Nihonbashikobuna-cho
December 2007	Completed the additions and upgrades (the 2nd development) to the SUN TO MOON Kakitagawa shopping center
September 2008	Completed the renovation (the 3rd development) of the SUN TO MOON ANNEX shopping center
October 2008	Took over part of the womenswear proposal-type OEM business of Cosmoa Co.,LTD
August 2010	Established an apparel sales company DAITOBOSHOKU (SHANGHAI) CORPORATION in Shanghai, China
February 2011	Closed Shanghai Office
September 2011	Grand opening of an outlet mall Shanjing Outlet Plaza-Ningbo in Ningbo, China
February 2012	NINGBO SHANJING APPAREL CO. LTD. (currently an affiliated company) is surviving entity in a merger, with dissolution of NINGBO SHANSHAN DADONG GARMENTS CO., LTD..
February 2014	The Company is surviving entity in a merger, with dissolution of Daitobo Shinso Co., Ltd.
July 2015	Dissolved Rockingham PENTA Co., Ltd.
September 2016	Changed the company name to Daitobo Co., Ltd.
	Relocated the head office from Nihonbashikobuna-cho to Nihonbashihon-cho
March 2017	Sold entire equity interest in NINGBO SHANJING APPAREL CO. LTD.

3. Description of business

The Company Group (or the "Group") consists of the Company (Daitobo Co., Ltd.), 3 subsidiaries, and 1 affiliate. The Group is engaged in the commercial property business of which the main business is operation and management of real estate rental and commercial facilities, the health care business of which the main business is manufacturing and sales of beds and bedding, etc. and the textile and apparel business of which the main business is manufacturing and sales of apparel products (clothing and uniforms) and fiber (material), etc.

Below is a description of the businesses in which the Group engages, and of the positioning of the Group and its affiliated companies in relation to them. The following classification is the same as the Group's actual segments for reporting purposes.

(1) Commercial property business — The business where the Company rents real estate and a subsidiary Daitobo Estate Co., Ltd. operates and manages commercial facilities.

(2) Health care business — The business where a subsidiary Niigata Daitobo Co., Ltd. manufactures products and sells them through the Company.

The Group outsources certain processing operations.

(3) Textile and apparel business

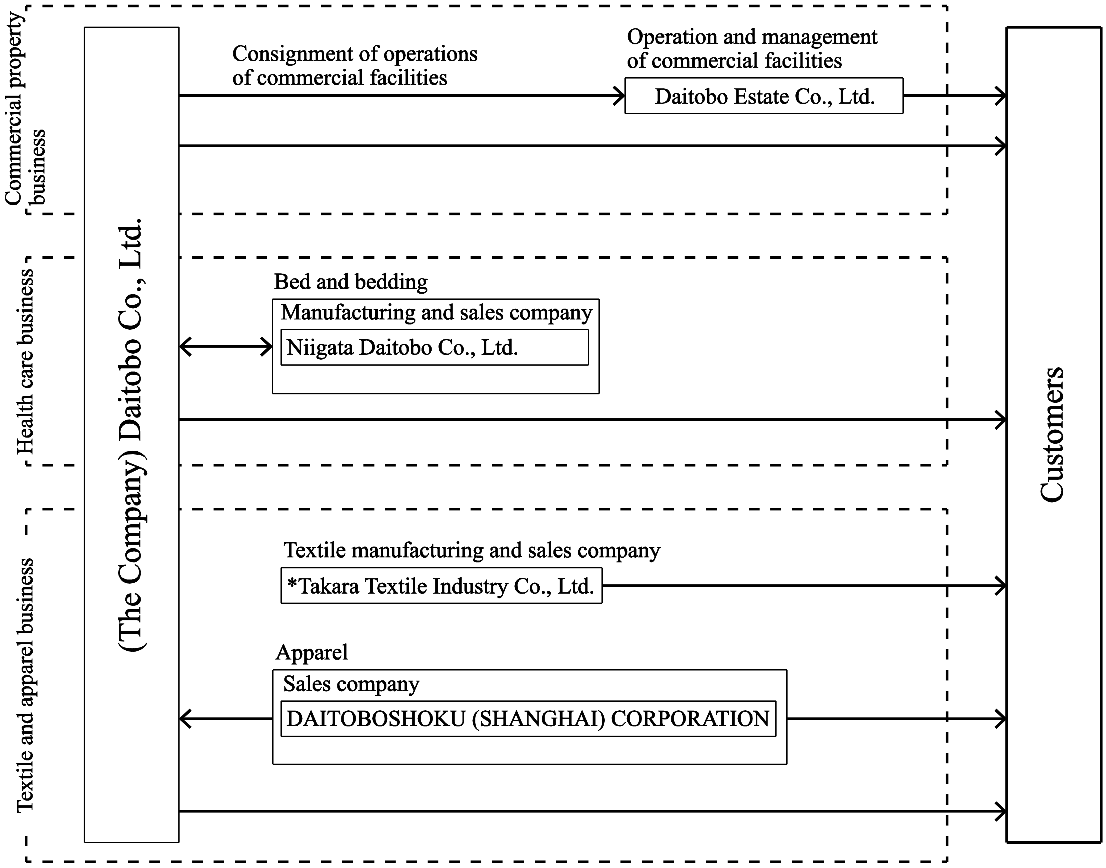
Apparel section — The section where the apparel purchased by a subsidiary DAITOBOSHOKU (SHANGHAI) CORPORATION is sold to the Company or externally.

Uniform section — The section where the Company sells uniforms.

Textile section — The section where the Company and an affiliate Takara Textile Industry Co., Ltd. sell fiber materials, etc.

The Group also outsources processing operations relating to the abovementioned apparel, uniform and textile sections to outside parties.

[Organization chart] The information above is summarized in tabular form in the following organizational chart.



* Affiliates not accounted for by the equity method; All others without symbols are consolidated subsidiaries.

4. Information on subsidiaries and affiliates

Name of company	Location	Capital	Principal businesses	Percentage of voting rights held (%)	Business relationship
(Consolidated subsidiaries)					
Daitobo Estate Co., Ltd. (Note 2 and 3)	Shimizu-cho, Sunto-gun, Shizuoka	Thousands of JPY 30,000	Commercial property business	100	Operation of Company-owned commercial facilities is outsourced to this unit Interlocking executives: Yes Lease of facilities: Yes
Niigata Daitobo Co., Ltd.	Tokamachi, Niigata	Thousands of JPY 10,000	Health care business	100	Manufactures bed and bedding which the Company sells Interlocking executives: Yes Financial assistance: Yes Lease of facilities: Yes
DAITOBOSHOKU (SHANGHAI) CORPORATION	Shanghai, People’s Republic of China	Thousands of USD 450	Textile and apparel business	100	Sells a part of apparel which the Company purchases Interlocking executives: Yes Financial assistance: Yes

Notes:
1. The “Principal businesses” column states the name of the segment.
2. Companies indicated are specified subsidiaries.
3. Net sales (excluding intercompany sales within the Group) of Daitobo Estate Co., Ltd. exceeded 10% of consolidated net sales.

   Principal financial data: Daitobo Estate Co., Ltd.

1) Net sales	¥ 2,027,792 thousand
2) Ordinary income	¥ 41,343 thousand
3) Profit	¥30,360 thousand
4) Net assets	¥ 205,587 thousand
5) Total assets	¥ 1,720,390 thousand

4. Rockingham PENTA Co., Ltd. was excluded from the scope of consolidation due to completion of liquidation in the current consolidated fiscal year.
5. NINGBO SHANJING APPAREL CO. LTD was excluded from the scope of equity method at the end of the current fiscal year due to sale of the entire equity interest in the company.

5. Employees

(1) Consolidated companies

(As of March 31, 2017)

Name of segment	Number of employees
Commercial property business	29 (—)
Health care business	34 (4)
Textile and apparel business	19 (1)
Subtotal of reportable segments	82 (5)
Corporate (common)	19 (2)
Total	101 (7)

Notes: 1. The number of employees presented above pertains to full-time employees. The figures in parentheses represent the average number of part-time employees during the year ended March 31, 2017, and are not included in the number of full-time employees.

2. The number of employees presented as "Corporate (common)" pertains to those belonging to administrative departments that cannot be classified under the specified segments.

(2) The Company

(As of March 31, 2017)

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)
50 (4)	44.9	15.1	5,359

Name of segment	Number of employees
Commercial property business	3 (—)
Health care business	11 (1)
Textile and apparel business	17 (1)
Subtotal of reportable segments	31 (2)
Corporate (common)	19 (2)
Total	50 (4)

Notes: 1. The number of employees presented above pertains to full-time employees. The figures in parentheses represent the average number of part-time employees during the year ended March 31, 2017, and are not included in the number of full-time employees.

2. The average annual salary for employees includes bonuses and overtime pay.

3. The number of employees presented as "Corporate (common)" pertains to those belonging to administrative departments that cannot be classified under the specified segments.

(3) Trade union

Of the Company Group, the trade union of the Company is a member of the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions (UA ZENSEN).
The labor-management relations of the Company are smooth, hence there are no particular items which require mentioning.

2. Business Overview

1. Overview of business results

(1) Operating results

During the fiscal year under review, the Japanese economy maintained moderate growth with consumer spending due to steady improvement in the employment and income environment brought about by the extremely accommodative financial environment and the effects of government large-scale economic measures.

Concerning the business environment, a moderate improvement was observed in some segments, however, the results were not favorable for big-ticket items and seasonal apparel, as well as bed and bedding items due to weakened consumption by overseas tourists visiting Japan and the impact of unseasonal weather.

Under these circumstances, the Group has embarked on measures to strengthen our financial position and gear policies to establishing a robust platform for our core businesses and ensuring higher level of earnings, based on the "Bridge to the Future" Mid-term Management Plan.

To strengthen our financial position, the Company refinanced all of the existing loans with a syndicate loan in the first quarter of the fiscal year ended March 31, 2016 to procure stable long-term funding and to reduce the interest cost in order to steadily attain the financial targets for the final year of Mid-term Management Plan.

To gear policies to establishing a robust platform for our core businesses, in the commercial property business, we have made investment as necessary in renovation of the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, and strengthened various sales promotion events mainly aimed at young children to draw in more customers. In the healthcare business, we started E-commerce services and worked on strengthening sales of healthcare products such as EWOOL as well as household thermal and electric potential therapy devices, which we developed by leveraging our proprietary technology. In the textile and apparel business, we have proceeded with business reconstruction following implementation of structural reorganization of this business and continued to make efforts to reduce costs and improve profitability. In February, 2017, from an alliance-strengthening perspective, we formed capital and business alliances with our important business partners to establish a solid foundation for our commercial property business and healthcare business.

To ensure a higher level of earnings, even though sales declined from the prior fiscal year due to "structural reorganization of the textile and apparel business" implemented in the prior fiscal year, the level of earnings has steadily improved due to the effects of cost reduction and higher profitability.

As a result, net sales of the Group for the year ended March 31, 2017 totaled ¥4,701 million (decreasing by 13.0% from the prior fiscal year) due to "structural reorganization of the textile and apparel business." At the same time, operating income was ¥417 million (increasing by 10.1% from the prior fiscal year), due to the effects of improvement in the gross profit margin and a reduction in selling, general and administrative expenses including personnel costs. Ordinary income was ¥267 million (increasing by 257.8% from the prior fiscal year), due to reduction of interest expenses for borrowing despite the increased burden of initial expenses from a syndicated loan. After recording of extraordinary loss generated from the premature cancellation of the loans related to execution of a syndicate loan and complete withdrawal from the sewing business in China as well as extraordinary profit from transfer of equity interest in commercial facilities in China, and calculating corporate tax burden to be recorded with deferred tax assets taken into account, profit attributable to owners of parent was ¥156 million (increasing by 25.0% from the prior fiscal year).

The operating results by reportable segments are summarized as follows:

(Commercial property business)

In the commercial property business, we have strived to draw in more customers at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, by focusing on advertising and promotional activities through television, radio and other media, events for young children, as well as a movie theater where people have enjoyed blockbuster hits. On the other hand, we have carried out the necessary capital investments and other initiatives for the renovation of Seisenkan, one of our core tenants, in order to maintain and increase our competitiveness, and our sales were up year-on-year.

As a result, net sales in the commercial property business totaled ¥2,336 million (increased by 0.5% from the prior fiscal year), and operating income amounted to ¥948 million (increased by 7.4% from the prior fiscal year) due to the effects of improved gross profit margin related to reduction of depreciation.

(Health care business)
In the health care business section, sales were down year-on-year due to reactionary decline of sales of health bedding items from the prior fiscal year despite steadily growing sales of EWOOL Blanket Series. In the general bed and bedding section, sales rose year-on-year due to the continuing robustness of orders for commercial-use bed and bedding in line with demand from foreigners visiting Japan.
As a result, net sales in the health care business totaled ¥828 million (decreased by 2.0% from the prior fiscal year), and operating loss amounted to ¥37 million (compared with the operating loss of ¥10 million in the prior fiscal year) partly due to a decrease in gross profit margin from persistently high raw material costs as well as expenses from an increase in personnel.

(Textile and apparel business)
In the textile and apparel section, sales were down year-on-year due to a decline in sales relating to "structural reorganization of the textile and apparel business" implemented in the prior fiscal year and blunted sales growth of autumn and winter wear affected by the warm winter in Japan.
In the uniform section, sales were down year-on-year due to a decrease of orders for autumn and winter uniforms from the public sector in addition to a reactionary decline in demand from the private sector, which placed large orders in the prior fiscal year.
As a result, net sales in the textile and apparel business for the current fiscal year totaled ¥1,537 million (decreased by 31.3% from the prior fiscal year), however, operating income amounted to ¥11 million (compared with the operating loss of 49 million yen in the prior fiscal year) due to the effects of improvement in the gross profit margin and a reduction in selling, general and administrative expenses including personnel costs from structural reorganization, moving into the black for the first time in 10 fiscal years.

(Notes)
1. Figures for operating income reported above as segment earnings include internal inter-segment transactions.
2. The tax-exclusion method is applied to accounting procedures for consumption and other taxes, and so the figure reported in "1. Overview of business results" does not include consumption taxes, etc.
3. Items relating to earnings projections, etc. are based on judgments made as of the end of the fiscal year under review (consolidated basis). Due to possible unpredictable changes in the economic environment, the Company cannot offer any guarantee that forecast results will be achieved.

(2) Cash flows

Cash flows and related factors for the period under review are as follows.

(Cash flows from operating activities)
Net cash provided by operating activities amounted to ¥528 million (¥229 million used in the prior fiscal year). This was mainly attributable to recording of profit before income taxes of ¥148 million, depreciation of ¥405 million and a decrease of ¥173 million in guarantee deposits received.

(Cash flows from investing activities)
Net cash provided by investing activities amounted to ¥343 million (increased by 583.9% from the prior fiscal year). This was mainly due to ¥80 million in proceeds from withdrawal of time deposits and ¥262 million in proceeds from sales of investments in capital.

(Cash flows from financing activities)
Net cash provided by financing activities was ¥109 million (¥52 million used in the prior fiscal year). This was mainly attributable to a net decrease in short-term loans payable of ¥540 million, ¥9,400 million in proceeds from long-term loans payable, ¥7,377 million in repayments of long-term loans payable, ¥865 million in redemption of bonds, and ¥400 million of repayments of construction assistance fund receivables.
As a result of these activities, cash and cash equivalents increased by ¥981 million (142.8%) from the end of the prior fiscal year to ¥ 1,668 million.

2. Production, orders received and sales

The Group produces and markets a very wide range and variety of products. Within a particular type of product, form and unit type may differ, and for some products, the Group does not apply the make-to-order system. As a result, we do not provide monetary or quantity figures for production and order scale on an individual segment basis.
For this reason, status of production, orders and sales is shown in relation to segment performance in "1. Overview of business results."

3. Management policy, business environment, issued to be addressed, etc.

Any future forecasts included in the following descriptions are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Basic policy of company management

It is our corporate philosophy to foster a spirit of enterprise to take initiative in introducing new ideas to deal with changes flexibly and of social contribution by helping others through self-help. These spirits are shared by all executives and employees to enhance corporate value together.
As a woolen cloth company, we have developed our own history for more than 120 years by preserving this valuable industry while adapting ourselves proactively to new business environment. In future, we will continue to concentrate on our visions of "creation of products and services appreciated by customers" and "full use of originality through leveraging our strengths".
Swift and bold decision-making in a transparent and fair manner in line with the corporate governance code to ensure sustainable growth and mid- to long-term improvement in corporate value, we are able to grow as a company to contribute to stakeholders including shareholders and society.

(2) Target financial indicators

The Group is working to transform itself to become a highly profitable enterprise, and for this purpose, we have set equity ratio and current ratio as management targets from the viewpoint of enhancing our ordinary income ratio, ROE and strengthening our financial position.
In the "Bridge to the Future" Mid-term Management Plan launched in April 2016, we are aiming at "ordinary income ratio of 5% or above", "ROE of 5% or above", "current ratio of 120% or above" and "equity ratio of 25% or above" for the target financial indicators for the fiscal year ending in March 2018.

(3) Mid- to long-term management strategy

The Group launched the "Bridge to the Future" Mid-term Management Plan in April 2016 to accomplish business strategies set for each of the three main businesses and to solve the issues of business management to promote operation in line with financial strategy, human resources strategy and corporate governance code.

(4) Issues to be addressed by the Company

We expect to see ongoing moderate recovery momentum in the Japanese economy due to further improvement expected in the employment and income environment in addition to an extremely accommodative financial environment, government economic measures and steady capital investment for the Tokyo Olympic Games in 2020. However, it is necessary to pay sufficient attention continuously to uncertainties overseas such as economic trends in China or Europe, situation on the Korean Peninsula and currency movements.
Under these circumstances, the Company has addressed the measures to strengthen our financial position and gear policies to establishing a robust platform for our core businesses and ensuring higher level of earnings, based on the "Bridge to the Future" Mid-term Management Plan. We further introduced a shareholder benefit program to make the shares of the Company more attractive to encourage and invite more investors to hold our shares on a mid- to long-term basis, in consideration of the recent business recovery and future prospects of the Company.
While we have made a downward revision to the Mid-term Management Plan as we consider it is appropriate to conservatively estimate the sales of the textile and apparel business and the health care business due to the recent business environment and slower-than expected sales in these businesses, there is no change in the plan to attain increases both in sales and profit in the next fiscal year as we forecast we shall remain stable and in the black overall supported by the good performance in the commercial property business.

Revision of the current Mid-term Management Plan

		Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Current Mid-term Management Plan (original plan)	(millions of yen)	5,210	480	360	290
Revised Plan	(millions of yen)	4,800	420	290	240
Revised Plan vs Original Plan	(millions of yen)	(410)	(60)	(70)	(50)
Year-on-Year	(millions of yen)	99	3	23	84

No change has been made to the target financial indicators for the Mid-term Management Plan (1) ordinary income ratio of 5% or above, 2) ROE of 5% or above, 3) current ratio of 120% or above and 4) equity ratio of 25% or above), which we consider achievable.

Based on the foregoing, we consider the issues to be addressed are as follows.

・Strengthening financial structure

Our financial structure has been roughly improved as planned, mainly due to procurement of stable long-term funding from a syndicate loan and net profit taking root in our finances. We will continue to work to achieve a range of our financial targets in accordance with our financial strategy.

・Commercial property business

Maintaining a position to outperform rivals and strengthening our competitive advantage at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture. For this purpose, we launched capital and business alliance with SEED Inc. in February 2017, and based on this alliance, we will further grow the commercial property business by planning a new stage such as additional development of the SUN TO MOON Kakitagawa, with consideration for the next mid-term management plan.

・Health care business

In line with our business strategy of contributing to a society with long healthy lifespans, we launched a capital and business alliance in February 2017 with Ito Physiotherapy & Rehabilitation, a medical device manufacturer with a business history of more than 100 years. For the future, we would like to develop new healthcare business plans such as full-fledged entry into the areas of pet healthcare or medical devices based on capital and business alliances, in consideration of the next mid-term management plan. We also continue to pursue Japanese quality utilizing Group factories in Japan, which is our strength, and to leverage functional materials such as EWOOL based on the Company’s proprietary technology.

・Textile and apparel business

In promoting preparations to get on a growth track through reconstructing the business after structural reforms, we already operating income moving into the black for the first time in 10 fiscal years due to cost reduction effects. For the future, we plan to enhance our sales force for knit wear and private uniforms derived our original woolen-related businesses for sales growth, while continuing efforts to preserve and improve the profit margin by reducing costs.

・Promoting management in line with the corporate governance code

We will ensure swift and bold decision-making in a transparent and fair manner, taking into account the standpoint of stakeholders such as shareholders, and take independent measures to ensure sustainable growth and mid- to long-term improvement in corporate value. The Company transitioned to a company with an Audit and Supervisory Committee in June 2016. We will promote our management by fully leveraging its supervisory function.

・Personnel strategy

We are promoting measures toward the Human Resources Mission (our corporate mission to nurture human resources that will contribute to society), and with the concept of fostering personnel that can contribute to the Company’s business and society, we are strengthening efforts to select younger as well as female personnel for certain positions, and foster management talent.

Through the above measures, the Group aims to work together to achieve the aims of the “Bridge to the Future” Mid-term Management Plan and further improve corporate value, based on our 120-year-old management philosophies of fostering a spirit of enterprise, and of social contribution by helping others through self-help.

(5) Basic policy on the person controlling financial and business policy decision-making

1) Summary of the basic policy

The Company is a listed company, and as such allows free trading of its shares, etc., by all its shareholders and investors. In the event of large-scale purchases of shares, etc. of the Company, (as defined in (3) ii. below; hereafter the same shall apply), we believe approval or disapproval should ultimately be entrusted to the judgment of shareholders of the Company.

However, in recent years, we have seen in capital markets in Japan signs of unilateral, forced large-scale purchases, carried out without gaining the approval of the management of the targeted company. We believe that some of these large-scale purchases do not contribute to corporate value or protect the interests of the targeted company and the common interests of shareholders.

The Company believes that it is inappropriate for parties carrying out large-scale purchases that do not improve corporate value or protect the interests of the Company and the common interests of shareholders to control our financial and business policy decision-making. Should such parties emerge, we see it as necessary to take the appropriate countermeasures.

2) Summary of special measures taken to help realize the basic policy

As the following measures are formulated with full understanding of the source of the corporate value of the Company stated in i. below and after full discussion of the mid- to long-term improvement of corporate value and protection of the interests of the Company and the common interests of shareholders, the Board of Directors of the Company believes that the following measures are aligned with the above basic policy, that they do not harm the common interests of shareholders of the Company and that they are not intended to protect the current status of the executives of the Company.

i. Regarding the source of corporate value of the Company

As the first woolen cloth company in Japan, our Company was established in February 1896 with the financing of the Mitsui family and other major financiers in Tokyo. From that time, it was a driver of Japanese economic growth from the Meiji to the beginning of the Showa period, and contributed over many years to the development of Japan's economy and society as one of the country's leading textile companies. Having quickly established an integrated production process for woolen cloth, it was able to bring to bear its strengths in uniforms for both official and civilian users, and built up an impressive track record including supply of uniforms for the police and fire departments and other state agencies, as well as providing uniforms for the Tokyo Olympics. During the period from the mid-1960s to mid-1970s, the Company greatly expanded its operations in the apparel sector, equipping its factories for mass production of men's suits and forming alliances with leading US brands. The Company also entered the textile sector in China in the early 1990s, with the establishment of a men's suit manufacturing plant in a joint venture with leading Chinese conglomerate Shanshan Group Co., Ltd. In 2008, it took over the proposal-type OEM business of Cosmoa Co.,LTD, a strong player in the knitwear business, and newly started the knitwear planning business. In particular, a cluster of businesses was developed: uniform production, production-management-type OEM operations and knitwear planning businesses, which are expected to support the textile and apparel business in years ahead. With the textile industry in Japan subsequently slumping, the Company forced through needed restructuring measures, including the closure in 2002 of what was once the Company's largest spinning plant in Japan, at Suzuka.

With the slump in the textile industry in Japan proving protracted, the Company embarked on the development of the regional large-scale shopping center SUN TO MOON Kakitagawa, using the site of the Company's Mishima plant in Sunto-gun in Shizuoka Prefecture. The commercial property business has become a core driver of corporate earnings.

Over the years, the Company also committed itself to building up an integrated production and marketing system, launching a bedding manufacturing business within the Suzuka plant in 1980, establishing a bed and bedding marketing subsidiary between 1990 in 1991 and a bed and bedding manufacturing subsidiary in Tokamachi, Niigata Prefecture, and developing other new businesses. Subsequently, in 2014, in anticipation of a rapidly aging population, we further developed the bed and bedding business and established a new health care business centered on the three fields of healthy textile materials, health care and medical devices, and health-promoting foodstuffs, which we expect to generate growth in the years ahead.

The Company's management strategy is based on the "Bridge to the Future" Mid-term Management Plan launched in April 2016. Based on the achievements of our history of roughly 120 years and our new approach to the future, we believe we can achieve sustainable, stable and long-term growth.

In the new Mid-term Management Plan "Bridge to the Future," we will embark on measures to strengthen our financial position and gear policies to establishing a robust platform for our core businesses and ensuring higher level of earnings, giving due attention to improvement of the share price as we pursue these goals.

In the commercial property business, our basic strategy is to consolidate our long-term competitive position to keep us ahead of our rivals. In the health care business, our basic strategy will be to develop collaboratively, including alliances with business partners, in hopes of contributing to a healthier, longer-lived society. In the textile and apparel business, our basic strategy will be to prepare for entry into a growth trajectory through reengineering of our businesses after structural reorganization.

The Group aims to achieve all the aims of the "Bridge to the Future" Mid-term Management Plan and further improve corporate value, based on the 120-year-old management philosophies handed down from generation to generation, of fostering a spirit of enterprise, and of social contribution by helping others through self-help.

Based on this history and track record, the sources of corporate value of the Company are our business partners, with each of whom we have long-standing relations of trust, and the businesses we have built up as a unified Group based on the rich experience and technical expertise of our personnel. By understanding the sources of our corporate value and duly managing them, we believe we will be able to consolidate and improve corporate earnings and further the common interests of our shareholders on a continuous, sustainable basis.

ii. Corporate governance

For corporate governance measures, please see "4. 6. Status of Corporate Governance, etc."

3) Detailed summary of measures to prevent takeovers of financial and business policy decision-making of the Company by inappropriate parties under the basic policy

i. Ensuring improvement in corporate value and protecting the interests of the Company and the common interests of shareholders

In the event of actions constituting a large-scale share purchase, the Company considers it appropriate that shareholders should jointly reach a decision as to whether such action would lead to improvement of corporate

value of the Company or contribute to protection of the interests of the Company and the common interests of shareholders. To decide whether or not to respond to a proposal relating to a large-scale purchase of the Company shares, etc., we believe the prospective buyer (as defined in ii. below; hereafter the same shall apply.) and Board of Directors of the Company should both provide adequate and ample information, and sufficient time must be allowed to ensure discussion. Likewise, in the event that they judge it necessary to modify or improve conditions or methods of any large-scale purchase to safeguard or improve the corporate value of the Company and protect the interests of the Company and the common interests of shareholders, the Board of Directors of the Company shall discuss with the purchasing party the conditions and methods of the large-scale purchase. Because it may be necessary to have a substitute proposal, etc. presented to shareholders, adequate time necessary for this purpose should be duly set aside.
Based on this approach, the Company decided at a Board of Directors' meeting on May 19, 2015, to introduce a takeover defense policy as a countermeasure against actions constituting large-scale purchases of the Company shares, etc. (hereafter, the "Takeover Defense Plan"). At the 195th Annual General Meeting of Shareholders held on June 25, 2015, a resolution for the introduction of this plan was approved by shareholders. The Takeover Defense Plan has stipulated matters that any purchaser would be expected to respect, and countermeasures as a response in the event of failure to comply or in the event that it is deemed that significant harm would be done to the corporate value of the Company or the interests of the Company and the common interests of shareholders.

ii. Actions that would trigger the Takeover Defense Plan
Generally, actions that would trigger the Takeover Defense Plan are those that entail a purchase of at least 20% of the shares, etc. of the Company, or other actions which would likewise constitute transfer of such quantity of shares for a consideration (hereafter "Large-Scale Purchase"). In the event of a large-scale purchase, with regard to the party carrying out or intending to carry out such large-scale purchase (hereafter "Large-Scale Purchaser"), the Takeover Defense Plan would require provision of information necessary for prior discussion of the details of the Large-Scale Purchase by shareholders and the Board of Directors of the Company; and ensuring of a certain period of time necessary for collection and discussion of information relating to the Large-Scale Purchase by shareholders and the Board of Directors of the Company. Subsequently, if necessary, the Takeover Defense Plan would provide that discussions take place with the Large-Scale Purchaser on the conditions and methods of the Large-Scale Purchase, and procedures would be provided for the Board of Directors of the Company to respond through measures including presentation to shareholders of a substitute plan.

iii. Summary of countermeasures
Under the Takeover Defense Plan, certain set procedures are required to be followed in any Large-Scale Purchase by any Large-Scale Purchaser. In the event of failure to follow such procedures – or, despite compliance with them, it is deemed that significant harm would be done to the corporate value of the Company or the interests of the Company and the common interests of shareholders – stock acquisition rights shall be allocated free of charge to shareholders, in principle, as a defense measure against any such (unwelcome) Large-Scale Purchase.
It is expected that conditions would be attached for any allocation of stock acquisition rights (hereafter, "Stock Acquisition Rights") in line with the Takeover Defense Plan, such conditions being: (1) prohibition of exercise by the Large-Scale Purchaser or its associates, and (2) acquisition of Stock Acquisition Rights by the Company in exchange for the Company shares from shareholders other than the Large-Scale Purchaser and its associates.
In the event of a gratis allocation of Stock Acquisition Rights, the related conditions of exercise and acquisition terms could prompt significant dilution of the ratio of voting rights held by the Large-Scale Purchaser and its associates.

iv. Establishment of an independent committee
The questions of (1) whether or not the purchaser has completed the set of procedures in line with the rules laid down in the Takeover Defense Plan, and (2), if the rules in the Takeover Defense Plan have been complied with, whether or not to trigger certain countermeasures deemed necessary and appropriate to safeguard corporate value and the interests of the Company and the common interests of shareholders, shall ultimately be decided by the Board of Directors of the Company. To ensure the reasonableness and fairness of such decision-making, the Company has established an independent committee separate from the Board of Directors of the Company. The number of members of the independent committee shall be at least three and at most five, and members shall be selected by the Board of Directors from among Outside Directors, Outside Corporate Auditors, lawyers, tax specialists, certified public accountants, experts from academia experts well versed in investment banking, and external parties with experience as directors or executive officers of other companies. And members shall also fulfill duty of care of a prudent manager toward the Company. However, as a general principle, candidates are not elected if the following standards for the independence of Outside Directors apply to them.
(1) The individual is not a Director or a Corporate Auditor for the Company or a Group company (except for Outside Directors and Outside Corporate Auditors) and was not in the past as well.
(2) The individual does not have any family relationships with Directors or Corporate Auditors of the Company or a Group company.
(3) The individual is not a Director or a Corporate Auditor for a financial institution in the past three years, which is still the major partner of the Company of a Group company.
(4) The individual is not a Director or a Corporate Auditor for the major business partner in the past three years.

(5) The individual is not a major business partner, and has no special interest of the Company or a Group company.

v. Disclosure of information
The Company shall make prompt and due disclosure of information to shareholders regarding any Large-Scale Purchase under procedures based on the Takeover Defense Plan; any provision of information necessary for discussion of the details of any Large-Scale Purchase by any Large-Scale Purchaser; any summary of decision-making by the independent committee; any summary of any decision to trigger or not trigger countermeasures; and any other matters relating to the initiation of countermeasures.

4) Reasonableness of the Takeover Defense Plan (reasons for the judgment that Takeover Defense Plan follows the basic policy, that it does not harm the common interests of the shareholders of the Company and that it is not intended to protect current status of the executives of the Company)
For the following reasons, the Board of Directors of the Company believes that Takeover Defense Plan follows the basic policy stated in 1) above, that it does not harm the common interests of shareholders of the Company and that it is not intended to protect the current status of the executives of the Company.
i. Requirements of guidelines for the takeover defense policy have been met in full
ii. It has been introduced with the purpose of improving corporate value, and safeguarding the interests of the Company and the common interests of shareholders
iii. Decisions of shareholders have been given priority
iv. The judgments of highly independent external parties have been given priority
v. Reasonable objective criteria have been established
vi. It is possible to obtain advice from independent, third-party specialists
vii. The Takeover Defense Plan is neither a deadhand or slowhand defensive strategy

4. Risks related to business

With regard to disclosure in the Business Overview, Financial Information and other parts of this Securities Report, the significant items which may affect the decisions of our investors can be grouped under the following risk factors.
Any future forecasts included in the following descriptions are based on the judgment of the Group as of the end of the current fiscal year.

(1) Concentration in specified area of a specified business
Commercial facilities including the shopping centers, etc. of the commercial property business, major revenue drivers for the Group, are concentrated in Mishima District, Shimizu-cho, Sunto-gun, Shizuoka Prefecture.
In the event of an earthquake occurring, as widely predicted, in the Tokai region, there is a risk of adverse impact on the Group’s business performance, etc.

(2) Lease contracts on non-current assets
The commercial property business, a major revenue generator for the Group, has concluded leasing agreements for commercial facilities including shopping centers, etc. In the event of any future cancellation of these contracts, due to various circumstances, there is a risk of adverse impact on the Group’s business performance, etc.

(3) Interest-bearing debt
The balance of interest-bearing debt at the end of the period under review due to phase 2 and 3 developments at the SUN TO MOON Kakitagawa commercial property and other factors was ¥9,324 million. In the event of a future increase in market interest rates, there is a risk of adverse impact on the Group’s business performance, etc.

5. Important business contracts

Lease contracts on non-current assets
The Group has signed land and building leasing contracts with ENCHO Co., Ltd. regarding the SUN TO MOON Kakitagawa shopping center in the suburb of Mishima, completed and opened in April 1997.

6. Research and development activities

Not applicable

7. Analysis of financial position, operating results and cash flows

Any future forecasts included in the following descriptions are based on the judgment of the Group as of end of the current fiscal year. Due to the risk of unpredictable changes in the economic environment, the Company cannot offer any guarantee that forecast results will be achieved.

(1) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. The preparation of consolidated financial statements requires management to select and then apply the accounting policies and to make accounting estimates which have the impact on financial position and business results on the closing date.

Although the Company believes that the estimates made reasonably reflect past experience as well as present circumstances, the actual results could differ because of the uncertainty inherent in those estimates. The significant accounting policies applied for the preparation of the consolidated financial statements are explained in "1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements" in "5. Financial Information."

(2) Analysis of financial position

1) Assets

The balance of total assets as of the end of the current fiscal year increased by ¥97 million from the end of the prior fiscal year to ¥19,093 million (¥18,996 million for the prior fiscal year). This was mainly due to an increase of ¥901 million in cash and deposits, an increase of ¥60 million in deferred tax assets, a decrease of ¥359 million in in property, plant and equipment and a decrease of ¥567 million in investments in capital of subsidiaries and associates.

2) Liabilities

The balance of liabilities as of the end of the current fiscal year increased by ¥68 million from the end of the prior fiscal year to ¥14,764 million (¥14,695 million as of the end of the prior fiscal year). This was mainly due to a decrease of ¥2,830 million in short-term loans payable, a decrease of ¥169 million in current portion of bonds, a decrease of ¥696 million in bonds payable, a decrease of ¥470 million in long-term guarantee deposits and an increase of ¥4,312 million in long-term loans payable.

3) Net assets

The balance of net assets as of the end of the current fiscal year increased by ¥29 million from the end of the prior fiscal year to ¥4,329 million (¥4,300 million as of the end of the prior fiscal year). This was mainly due to an increase of ¥154 million in retained earnings and a decrease of ¥143 million in foreign currency translation adjustment.

(3) Analysis of operating results

1) Net sales

Net sales for the current fiscal year were ¥4,701 million, a decrease of ¥705 million (13% year-on-year). Major factors were a decrease of sales related to structural reorganization of the textile and apparel business implemented in the prior year and a decrease of orders for autumn and winter uniforms from the public sector in addition to a reactionary decline of demand from the private sector, which placed large orders in the prior fiscal year.

2) Cost of sales and selling, general and administrative expenses

Cost of sales for the current fiscal year were ¥3,432 million, a decrease of ¥668 million (16.3% year-on-year), and its ratio for sales improved by 2.8 percentage points from 75.8% in the previous year to 73.0% in the term under review. Selling, general and administrative expenses for the current fiscal year were ¥852 million, a decrease of ¥75 million (8.1% year-on-year). The major factor affecting the cost of sales was improvement in the cost of sales ratio due to a decrease in depreciation and the structural reorganization of the textile and apparel business, and the major factor affecting cost of selling, general and administrative expenses was the cost reduction related to the structural reorganization of the textile and apparel business.

3) Operating income and expenses

Net operating income for the current fiscal year amounted to ¥417 million, an increase of ¥38 million (10.1% year-on-year) from the prior fiscal year. This result was mainly due to improvements in the cost of sales ratio in the wake of structural reorganization of the textile and apparel business and a reduction in SG&A costs.

4) Non-operating income and expenses

Non-operating income for the current fiscal year amounted to ¥73 million, a decrease of ¥11 million (13.4% year-on-year). Non-operating expenses amounted to ¥222 million, a decrease of ¥165 million (42.7% year-on-year). As a result, net non-operating loss amounted to ¥149 million, an improvement of ¥154 million from the prior fiscal year. This result was mainly due to a decrease of interest expenses related to refinancing of all of the existing loans to a syndicate loan.

5) Profit or loss before income taxes

Profit before income taxes for the current fiscal year increased by ¥8 million (6.1% year-on-year) from the prior fiscal year to ¥148 million. This was due to a deterioration of ¥184 million in extraordinary losses as a result of recording extraordinary losses mainly on sales of investments in capital of subsidiaries and associates despite increases of ¥38 million and ¥154 million in operating and non-operating income respectively.

6) Profit or loss attributable to owners of parent

Profit attributable to owners of parent for the current fiscal year increased by ¥31 million (25.0% year-on-year) from the prior fiscal year to ¥156 million. This result was mainly due to the aforementioned increase of ¥8 million in profit before income taxes as well as an improvement of ¥22 million in tax expenses related to recording of deferred tax assets.

(4) Cash flow information

Net cash provided by operating activities in the current fiscal year amounted to ¥528 million (¥229 million used in the prior fiscal year). This was mainly attributable to ¥148 million of profit before income taxes for the current fiscal year, ¥405 million of depreciation and a decrease of ¥173 million in guarantee deposits received.

Net cash provided by investing activities in the current fiscal year amounted to ¥343 million (583.9% year-on-year). This was mainly due to ¥80 million in proceeds from withdrawal of time deposits and ¥262 million in proceeds from sales of investments in capital.

Net cash provided in financial activities was ¥109 million in the current fiscal year (¥52 million used in the prior fiscal year). This was mainly attributable to a net decrease in short-term loans payable of ¥540 million, ¥9,400 million in proceeds from long-term loans payable, ¥7,377 million in repayments of long-term loans payable, ¥865 million in redemption of bonds, and ¥400 million in repayments of construction assistance funds receivables.

As a result of these activities, cash and cash equivalents at the end of the current fiscal year increased by ¥981 million (142.8% year-on-year) from the end of the prior fiscal year to ¥1,668 million.

3. Equipment and Facilities

1. Overview of capital expenditures

The Group carries out capital investments for the purpose of continuously strengthening its business structure. The total amount of capital expenditure for the current fiscal year was ¥45 million. By segment, ¥10 million went into the commercial property business and ¥1 million into the health care business and ¥33 million into the Group as a whole.

In the commercial property business, investment was mostly made to the SUN TO MOON Kakitagawa complex, and in the Group as a whole, investment was made for the relocation of the head office.

2. Major equipment and facilities

The Group's major equipment and facilities are summarized as follows:

The Company

(As of March 31, 2017)

Location	Name of segment	Description	Net book value						Number of employees
			Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (m^2)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	(Persons)
Head Office (Chuo-ku, Tokyo)	Corporate Commercial property business Health care business Textile and apparel business	Head office functions and back-office operations	18,282	—	— (—)	6,126	11,432	35,841	19 (2) 3 (–) 9 (–) 15 (1)
SUN TO MOON Kakitagawa, etc. (Shimizu-cho, Sunto-gun, Shizuoka)	Commercial property business	Commercial facilities, etc. (Note 2)	6,045,754	—	8,912,070 (92,551)	162,855	13,249	15,133,929	26 (–)

Notes: 1. "Other" in net book value consists of tools, furniture and fixtures, and does not include construction in progress. Amounts are presented exclusive of consumption tax, etc.

2. SUN TO MOON Kakitagawa, etc. are leased to Daitobo Estate Co., Ltd. and ENCHO Co., Ltd., etc. by the Company. Number of employees of SUN TO MOON Kakitagawa, etc. indicates the number of employees related to Daitobo Estate Co., Ltd.

3. In addition to the above, other major leased assets are presented as follows:

The Company

(As of March 31, 2017)

Location	Name of segment	Description	Number of employees (Persons)	Lease Fees (Thousands of yen/year)
Head Office (Chuo-ku, Tokyo)	Corporate Commercial property business Health care business Textile and apparel business	Head office functions and back-office operations (lease)	19 (2) 3 (–) 9 (–) 15 (1)	46,407

4. The figures in parentheses represent the number of part-time employees and are not included in the number of full-time employees.

3. Plans for new additions or disposals of equipment and facilities

Not applicable

4. Corporate Information

1. Information on the Company's shares

(1) Number of shares and other

1) Number of shares

Type	Number of shares authorized to be issued
Common stock	96,000,000
Total	96,000,000

2) Number of shares issued

Type	Number of shares issued		Stock exchanges on which the Company is listed	Description
	As of March 31, 2017	As of June 27, 2017 (filing date of this Securities Report)		
Common stock	30,000,000	30,000,000	First Section of the Tokyo Stock Exchange and of the Nagoya Stock Exchange	The number of shares per unit is 1,000
Total	30,000,000	30,000,000	—	—

(2) Status of the stock acquisition rights

The stock acquisition rights determined by resolution of the Board of Directors' meeting held on November 9, 2016 in accordance with the Companies Act are as follows:

	As of the end of the fiscal year (March 31, 2017)	As of the end of the previous month of the filing date of this Securities Report (May 31, 2017)
Number of shares to be issued upon the exercise of stock acquisition rights (units)	80 (Note 1)	80 (Note 1)
Number of treasury shares to be issued upon exercise of stock acquisition rights	—	—
Type of shares to be issued upon the exercise of stock acquisition rights	Common stock	Common stock
Number of shares to be issued upon the exercise of stock acquisition rights (shares)	80,000 (Note 1)	80,000 (Note 1)
Amount to be subscribed upon the exercise of stock acquisition rights (yen)	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	December 5, 2019 – December 4, 2024	December 5, 2019 – December 4, 2024
Price of shares when issued through exercise of stock acquisition rights and capital incorporation (yen)	Issue price 71 Capital incorporation (Note 2)	Issue price 71 Capital incorporation (Note 2)
Conditions for the exercise of stock acquisition rights	(Note 3)	(Note 3)
Transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer requires approval by a resolution of the Board of Directors of the Company.	Acquisition of stock acquisition rights through transfer requires approval by a resolution of the Board of Directors of the Company.
Matters relating to subrogation payment	—	—
Matters relating to the issuance of stock acquisition rights as a result of organizational restructuring action	(Note 4)	(Note 4)

Notes: 1. Number of shares to be issued upon exercise of stock acquisition rights (hereinafter, referred to as "the number of granted shares") is 1,000 shares. However, in case that stock split of common shares of the Company (including no-paid allotment of shares, hereafter the same shall apply for stock split) or stock consolidation should be conducted after the date on which the Board of Directors of the Company adopts a resolution to decide offering of stock acquisition rights (hereinafter referred to as "the date of resolution"), the number of the granted shares will be adjusted according to the formula below, rounding down any fractions of less than one share resulting therefrom.

$$\text{Number of granted shares after adjustment} = \text{Number of granted shares before adjustment} \times \text{Ratio of split or consolidation}$$

Number of granted shares after adjustment will apply starting on and after the record date for the stock split (or if no record date is determined, then the effective date), and on and after the effective date for the stock consolidation.

However, when a stock split is made under the condition that a proposal to increase the capital or the reserve by reducing the surplus shall be approved at the Company's general meeting of shareholders, and if a date prior to the closing of the said general meeting of shareholders is set as the record date for the stock split, the number of shares after the adjustment shall become retroactively applicable on the day following the said record date, which procedure may be conducted after the day following the closing date of the said general meeting of shareholders.

In the case of a merger with any other company or company split or any other case similar thereto where an adjustment of the number of granted shares shall be required, in each case after the date of resolution, the number of granted shares shall be appropriately adjusted to the extent reasonable.

2. Capital incorporation
   (1) The amount of capital stock to increase on issuance of shares due to exercise of stock acquisition rights shall be half of the limit of the capital increase calculated according to Paragraph 1 of Article 17 of the Ordinance of Accounting of Companies. Any fraction less than one yen resulting from the calculation shall be rounded up to the nearest one yen.
   (2) The amount of additional pay-in capital to increase on issuance of shares due to exercise of stock acquisition rights shall be the difference between the limit of the capital increase and the increase in capital stock, both stated in (1) above.
3. Conditions for exercise of stock acquisition rights
   (1) If the stock acquisition right holder abandons up the stock acquisition rights, such stock acquisition right cannot be exercised.
   (2) Other conditions for exercise shall be set forth in the stock acquisition rights allocation agreement concluded between the Company and each holder of the stock acquisition rights based on the resolution of the Board of Directors of the Company.
4. In the event that the Company experiences a merger (only if the Company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split(in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above e acquisition rights of the reorganized company vents hereinafter collectively referred to by the general term "structural reorganization"), then the holders of stock acquisition rights remaining at the time the structural reorganization takes effect (on the day on which absorption-type company split takes effect for absorption-type company split, the day on which a new company is established through split for incorporation-type company split, the day on which stock swap takes effect for stock swap. the day on which the wholly owning parent company is incorporated through the transfer of shares for the transfer of shares) shall be provided with stock acquisition rights based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) – (e) of the Corporation Law of Japan. However, the stock acquisition rights shall be granted only if provisions for issuing the acquisition rights of the reorganized company are included in the absorption merger agreement, new establishment merger agreement, merger and spin-off agreement, new spin-off plan, share exchange agreement or share transfer agreement in accordance with the items below.
   (1) The number of stock acquisition rights of the reorganized company to be issued
   The number of stock acquisition rights offered shall be the same as the number of remaining stock acquisition rights possessed by the holder of the remaining stock subscription rights.
   (2) Type of shares of the reorganized company to be issued upon the exercise of stock acquisition rights
   Common stock of the reorganized company
   (3) Number of shares of the reorganized company to be issued upon the exercise of stock acquisition rights
   To be decided in the same manner as Note 1 above and in consideration of the conditions of the reorganization action, etc.
   (4) The value of assets to be contributed upon the exercise of the stock acquisition rights
   The value of assets to be contributed at exercise of each stock acquisition right shall be calculated by multiplying the exercise price after the organizational restructure as set forth in the following by the number of shares to be issued upon the exercise of stock acquisition rights of the reorganized company to be decided in accordance with (3) above. As for the exercise price after the organizational restructure, the amount to be paid in upon exercise of each stock acquisition right shall be one yen per share of the reorganized company.
   (5) The period for exercising stock acquisition rights
   The period shall commence on the starting day of the period for exercising the stock acquisition rights or the day when the reorganization action comes into effect, whichever is later, and end on the day of expiration of the period during which a stock acquisition right may be exercised.
   (6) Matters regarding capital and capital reserve that shall be increased when shares are issued upon the exercise of

the stock acquisition rights
To be decided in the same manner as Note 2 above.

(7) Restriction on acquisition of a stock acquisition right through transfer
The acquisition of stock acquisition rights through transfer shall require the approval by resolution of the board of directors of the reorganized corporation.

(8) Conditions regarding the acquisition of stock acquisition rights
The company shall be able to acquire stock acquisition rights without any consideration on the day which shall be determined by the Board of Directors, if any of the following items 1), 2), 3), 4) or 5) is approved by shareholders in a general meeting of shareholders (or where a shareholder approval in a general meeting of shareholders in not necessary, when approved by the Board of Directors or the Executive Directors upon delegation by the Board of Directors).

1) Approval of a merger contract pursuant to which the Company shall be a dissolving company.
2) Approval of an agreement or a plan for corporate split pursuant to which the Company shall become a wholly-owned subsidiary of another company.
3) Approval of a share exchange agreement or a share transfer plan where the Company shall become a wholly-owned subsidiary of another company.
4) Approval of an amendment of the Company's Articles of Incorporation so that any acquisition by transfer of shares issued by the Company shall require approval of the Company.
5) Approval of an amendment of the Company's Articles of Incorporation that would require an approval of the Company for an acquisition by transfer of shares issued upon exercise of the stock acquisition rights, or that would allow the Company to acquire all such shares with the approval by the shareholders in a general meeting of shareholders.

(9) Other conditions for the exercise of stock acquisition rights
To be decided in the same manner as Note 3 above.

(3) Exercise status of bonds with stock acquisition rights containing a clause for exercise price adjustment

Not applicable

(4) Rights plan

Not applicable

(5) Changes in the number of shares issued and the amount of common stock and other

Period	Changes in the number of shares issued (Shares)	Balance of the number of shares issued (Shares)	Changes in capital stock (Thousands of yen)	Balance of capital stock (Thousands of yen)	Changes in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
September 25, 1973 (Note)	—	30,000,000	—	1,500,000	502,765	503,270

Note: Addition to revaluation reserve

(6) Details of shareholders

(As of March 31, 2017)

Classification	Status of shares (1 unit = 1,000 shares)								Stocks of less than a standard unit
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders (other than individuals)	Foreign shareholders (individuals)	Individuals and other	Total	
Number of shareholders (Persons)	—	21	30	67	26	5	5,618	5,767	—
Number of shares held (Units)	—	3,685	1,559	2,288	766	7	21,541	29,846	154,000
Shareholding Ratio (%)	—	12.35	5.22	7.67	2.57	0.02	72.17	100.00	—

Notes: 1. Treasury stock of 67,698 shares are included in "Individuals and other" at 67 units, and in "Stocks of less than a standard unit" at 698 shares.
2. "Other corporations" include 7 units held under the name of Japan Securities Depository Center, Incorporated.

(7) Principal shareholders

(As of March 31, 2017)

Name	Address	Number of shares held (Thousands)	Number of shares held as a percentage of total shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	838	2.79
Atsushi Hida	Nara-shi, Nara	570	1.90
Rakuten Securities, Inc.	1-14-1 Tamagawa, Setagaya-ku, Tokyo	557	1.85
Developer Sanshin inc.	3-11 Kanda-Nishikicho, Chiyoda-ku, Tokyo	550	1.83
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11 Harumi 1-Chome, Chuo-ku, Tokyo	541	1.80
SEED Inc.	1-7-25 Bunkyo-cho, Mishima-shi, Shizuoka	501	1.67
Yoshio Koizumi	Kawaguchi-shi, Saitama	499	1.66
SBI SECURITIES Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	403	1.34
Japan Trustee Services Bank, Ltd. (Trust account 2)	8-11 Harumi 1-Chome, Chuo-ku, Tokyo	395	1.31
JAPAN SECURITIES FINANCE CO., LTD.	1-2-10 Nihonbashikayaba-cho, Chuo-ku, Tokyo	373	1.24
Total	—	5,227	17.42

(8) Status of voting rights

1) Shares issued

(As of March 31, 2017)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Nonvoting shares	—	—	—
Limited voting shares (Treasury stock, etc.)	—	—	—
Limited voting shares (Others)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 67,000	—	—
	(Crossholding stock) Common stock 93,000	—	—
Shares with full voting rights (Others)	Common stock 29,686,000	29,686	—
Stocks of less than a standard unit	Common stock 154,000	—	—
Total shares issued	30,000,000	—	—
Total voting rights held by all shareholders	—	29,686	—

Note: "Shares with full voting rights (Others)" includes 7,000 shares held under the name of Japan Securities Depository Center, Incorporated. "Number of voting rights" includes seven cases of voting rights relating to shares with full voting rights held in the name of Japan Securities Depository Center.

2) Treasury stock, etc.

(As of March 31, 2017)

Shareholders	Addresses of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Number of shares held as a percentage of total shares issued (%)
Treasury stock: Daitobo Co., Ltd	1-6-1 Nihonbashihon-cho, Chuo-ku, Tokyo	67,000	—	67,000	0.22
Crossholding stock: Takara Textile Industry Co., Ltd.	1255-2 Hatsuoi-cho, Kita-ku, Hamamatsu-shi, Shizuoka	93,000	—	93,000	0.31
Total	—	160,000	—	160,000	0.53

(9) Stock option plans

The Company has adopted a stock option scheme based on stock acquisition rights. This scheme was determined by resolution of the Board of Directors' meeting held on November 9, 2016 in accordance with the Companies Act. The outline of the scheme is as follows

Date for resolution	November 9, 2016
Date for resolution	November, 9, 2016
No. of individuals covered by the Plan	3 Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company 2 executive officers of the Company
Type of shares to be issued upon the exercise of stock acquisition rights	Please refer to "(2) Status of the stock acquisition rights."
Number of shares to be issued upon the exercise of stock acquisition rights	Please refer to "(2) Status of the stock acquisition rights."
Amount to be subscribed upon the exercise of stock acquisition rights	Please refer to "(2) Status of the stock acquisition rights."
Exercise period of stock acquisition rights	Please refer to "(2) Status of the stock acquisition rights."
Conditions for the exercise of stock acquisition rights	Please refer to "(2) Status of the stock acquisition rights."
Transfer of stock acquisition rights	Please refer to "(2) Status of the stock acquisition rights."
Matters relating to subrogation payment	Please refer to "(2) Status of the stock acquisition rights."
Matters relating to the issuance of stock acquisition rights as a result of organizational restructuring action	Please refer to "(2) Status of the stock acquisition rights."

2. Acquisition of treasury stock

Type of shares: Acquisition of shares of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the General Meeting of the Shareholders
Not applicable

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors
Not applicable

(3) Acquisition of treasury stock not based on a resolution approved at the General Meeting of the Shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	1,485	104,820
Treasury stock acquired during the period for acquisition	300	21,300

Note: "Treasury stock acquired during the period for acquisition" does not include stocks of less than a standard unit purchased during the period from June 1, 2017 to the filing date of this Securities Report.

(4) Current status of the disposition and holding of acquired treasury stock

Classification	Current fiscal year		Period for acquisition	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was disposed of	—	—	—	—
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/corporate separation	—	—	—	—
Other (—)	—	—	—	—
Number of shares of treasury stock held	67,698	—	67,998	—

Note: "Number of shares of treasury stock held" does not include stocks of less than a standard unit purchased during the period from June 1, 2017 to the filing date of this Securities Report.

3. Dividend policy

In the belief that it is one of the main priorities of management to uphold and strengthen competitiveness and ensure a stable and appropriate return of profits to all shareholders through expansion of corporate value, the Group has a basic policy of gearing decisions regarding distribution of profit to the need to improve business performance while also paying due attention to its internal reserves.

Based on the provisions of Article 454, Paragraph 5 of the Companies Act, the Company has included in its Articles of Incorporation a provision that "an interim dividend may be issued upon resolution by the Board of Directors, with September 30 as the date of record." The basic policy of the Company is that an interim and a year-end dividend are each paid once a year from surplus. The decision-making regarding the dividends from surplus is carried out at a General Meeting of Shareholders for the year-end dividend, and at the Board of Directors for the interim dividend.

Given the need to increase the level of internal reserves, the Group announces with regret that no dividend will be paid during the term under review.

Looking ahead to the coming fiscal year and beyond, the Group will make every effort to quickly re-establish a stable financial base and restore the dividend.

4. Changes in the market price of the Company's shares

(1) Highest and lowest prices during the past five years

	193rd fiscal year	194th fiscal year	195th fiscal year	196th fiscal year	197th fiscal year
Year-end	March 2013	March 2014	March 2015	March 2016	March 2017
Highest (Yen)	82	100	80	97	80
Lowest (Yen)	56	61	66	55	56

Note: The above prices are those quoted on the First Section of the Tokyo Stock Exchange.

(2) Highest and lowest prices during the past six months

Month	October 2016	November	December	January 2017	February	March
Highest (Yen)	71	73	75	74	80	78
Lowest (Yen)	68	67	70	70	71	73

Note: The above prices are those quoted on the First Section of the Tokyo Stock Exchange.

5. Members of the Board of Directors and Statutory Auditors

8 males, 0 females (female ratio of 0.0%)

Function	Position	Name (Date of birth)	Career summary	Term of office	Number of shares owned (Shares)
President and Representative Director	—	Kazuhiro Yamauchi (January 5, 1957)	April 1979 Joined Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited) February 2002 General Manager, Personnel Planning Dept. of Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited) January 2004 General Manager, Osaka Branch Business Dept. II January 2007 General Manager, Shinjuku Nishiguchi Branch June 2009 Director and General Manager, Corporate Planning Division of the Company August 2010 Managing Director and General Manager, Business Management Headquarters, General Manager, Corporate Planning Division June 2012 Senior Managing Director and General Manager, Business Management Headquarters, Deputy General Manager, Real Estate Headquarters July 2013 Director and Senior Managing Executive Officer, General Manager, Business Management Headquarters, General Manager, Personnel Division June 2015 President and Representative Director (current post) Chairman and Chief Executive Officer of DAITOBOSHOKU (SHANGHAI) CORPORATION (current post)	(Note 2)	44,000
Vice President and Representative Director	—	Toshiyasu Nomura (February 27, 1952)	March 1974 Joined the Company April 2002 General Manager, Functional Textile Business Division April 2004 Deputy General Manager, Textile Business Headquarters May 2005 President and Director of Niigata Daitobo Co., Ltd. May 2007 President and Director of Daitobo Shinso Co., Ltd. October 2011 General Manager, Functional Textile Sales Division, Sales Headquarters June 2012 Director and General Manager, Functional Textile Sales Division, Sales Headquarters June 2013 Vice President and Director February 2014 Vice President and Director General Manager, Health Care Business Headquarters June 2014 Vice President and Representative Director General Manager, Health Care Business Headquarters April 2015 Vice President and Representative Director (current post)	(Note 2)	36,000
Director	Executive Officer, General Manager, Business Management Headquarters	Shogo Mieda (February 12, 1969)	April 1990 Joined the Company September 2010 Accounting Group Leader, Administration Division June 2012 General Manager, Corporate Planning Division, Business Management Headquarters June 2015 Director and Executive Officer, General Manager, Business Management Headquarters, General Manager, Corporate Planning Division (current post)	(Note 2)	7,000
Director	—	Yasunobu Sawada (January 9, 1953)	April 1976 Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare) January 1989 Joined A.T. Kearney, Inc. (currently A.T. Kearney K.K.), assigned to Tokyo Office October 1997 Director of Practice Management April 2002 Executive Director of Enterprise IG Japan K.K. (currently Brand Union/WPP Group) July 2003 Representative Director of VieBrand Consulting Inc. (current post) June 2015 Director of the Company (current post)	(Note 2)	—

Function	Position	Name (Date of birth)	Career summary	Term of office	Number of shares owned (Shares)
Director (Audit and Supervisory Committee Member)	—	Yuji Kakuma (July 8, 1948)	April 1967 Joined the Company July 2006 General Manager, Accounting Division June 2007 Director and General Manager, Accounting Division June 2008 Director and General Manager, Administration Division August 2010 Director and General Manager, Administration Division, Business Management Headquarters June 2012 Corporate Auditor June 2016 Director (Audit and Supervisory Committee Member) (current post)	(Note 3)	70,000
Director (Audit and Supervisory Committee Member)	—	Haruki Iinuma (April 19, 1948)	April 1976 Registered as an attorney April 1978 Established IINUMA LAW OFFICE (current position) April 2000 Registered as a licensed tax accountant June 2011 Corporate Auditor of the Company June 2016 Director (Audit and Supervisory Committee Member) (current post)	(Note 3)	—
Director (Audit and Supervisory Committee Member)	—	Takashi Kagami (December 19, 1976)	September 2001 Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) July 2005 Registered as a certified public accountant August 2006 Joined Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (concurrent) November 2013 Registered as a licensed tax accountant Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (current post) June 2016 Director (Audit and Supervisory Committee Member) of the Company (current post)	(Note 3)	—
Director (Audit and Supervisory Committee Member)	—	Shusaku Okumura (June 16, 1952)	April 1977 Joined Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited) April 2003 General Manager, Nursing Care & Service Office of Mitsui Sumitomo Insurance Company, Limited April 2006 President and Representative Director of American Appraisal Japan Co., Ltd. April 2008 General Manager, Risk Management Division of Mitsui Sumitomo Insurance Company, Limited October 2010 General Manager, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. April 2013 Fixed-term employee, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. March 2016 Retired from MS&AD Insurance Group Holdings, Inc. June 2016 Director (Audit and Supervisory Committee Member) of the Company (current post)	(Note 3)	—
Total					157,000

Notes:
1. Messrs. Yasunobu Sawada, Haruki Iinuma, and Takashi Kagami are Outside Directors.
2. From the conclusion of the General Meeting of Shareholders held on June 27, 2017 to the conclusion of the General Meeting of Shareholders for the fiscal year ending in March, 2018.
3. From the conclusion of the General Meeting of Shareholders held on June 24, 2016 to the conclusion of the General Meeting of Shareholders for the fiscal year ending in March 2018.
4. The Audit and Supervisory Committee is comprised as follows.
Chairman: Yuji Kakuma, Committee members: Haruki Iinuma, Takashi Kagami, and Shusaku Okumura

6. Status of Corporate governance, etc.

(1) Status of corporate governance

Basic corporate governance policy

Taking a viewpoint that prioritizes corporate value, the Company believes that corporate governance is one of the most important issues facing management. Faced with a rapidly changing economic environment, our basic belief is that it is necessary to ensure that management is transparent, sound and compliant, to work for swift and appropriate disclosure of information that prioritizes accountability to all stakeholders, and to streamline management, speed up decision-making and expand management monitoring roles. Aiming to improve corporate governance, the Company works for thorough compliance and risk management, and works to ensure transparent, fair, prompt and resolute decision-making based on the perspectives of shareholders and all other stakeholders. We are committed to taking autonomous measures to ensure sustainable growth, and longer-term improvement in corporate value.

1) Corporate governance system

i) Summary of the Company's corporate governance system

The Company transitioned to a company with an Audit and Supervisory Committee in June 2016. Reasons for adopting this framework are that by setting up an Audit and Supervisory Committee with Directors holding voting rights serving as its members, we believe we can strengthen the auditing and supervisory roles of the Board of Directors and ensure even more comprehensive corporate governance, under a transparent and flexible corporate management model. We have set up a system that aims to ensure a high level of corporate governance. In addition to the Board of Directors and Audit and Supervisory Committee, an Outside Officers' Meeting and Advisory Committee and other entities have been created, and we have introduced an executive officer system which strengthens the supervisory role of the Board of Directors and clarifies operational executive responsibilities, as well as ensuring smooth cooperation between the Audit and Supervisory Committee, Accounting Auditor and the Internal Audit Office.

(Board of Directors)

Designated as a body for overseeing management decision-making and performance of duties by Directors, the Board of Directors comprises eight (8) Directors in total: four (4) Directors (excluding Directors serving as Audit and Supervisory Committee Members) of whom one (1) member is an Independent Outside Director, and four (4) Directors serving as Audit and Supervisory Committee Members, of whom three (3) members are Independent Outside Directors. As a rule, the Board of Directors meets once a month, convenes extraordinary meetings of the Board of Directors when necessary and deliberates, reports and decides on issues facing management and receives reports on status of execution of business. In this way, a framework has been created for the appropriate supervision of Directors' performance of duties.

(Audit and Supervisory Committee)

The Audit and Supervisory Committee is composed of four (4) Directors serving as Audit and Supervisory Committee Members (including three (3) Independent Outside Directors). With one (1) full-time Audit and Supervisory Committee Member, the Audit and Supervisory Committee meets once a month as a rule, audits the performance of duties by Directors and compiles auditing reports. As a rule, Directors serving as Audit and Supervisory Committee Members sit on the Board of Directors and Audit and Supervisory Committee; likewise, the Director serving as a full-time Audit and Supervisory Committee Member attends important internal meetings including the General Managers' Meeting. In this way, auditing is carried out through the internal control system to ensure legality and propriety of operations, and the performance of duties by Directors is audited. Together with the Internal Audit Office, an internal audit liaison meeting is also regularly held once a month in addition to exchanging opinions as needed. With the Accounting Auditor, it carries out regular accounting audits, and maintains close cooperative relations by facilitating consultation and discussion opportunities as needed regarding major accounting issues.

(Outside Officers' Meeting and Advisory Committee)

To provide a fresh external perspective, an Outside Officers' Meeting has been established comprising only four (4) Independent Outside Directors, one (1) of whom is the senior Independent Outside Director. The caucus is intended as a platform for useful advice contributing to sustainable growth and improved corporate value, and lively discussion of suggestions relating to management supervision. Regarding important matters such as selection and compensation of senior management including Directors, the Independent Outside Directors form a suitable platform for advice-giving. Under the Board of Directors, an Advisory Committee including the President and Vice President and mainly comprising Independent Outside Directors has been set up.

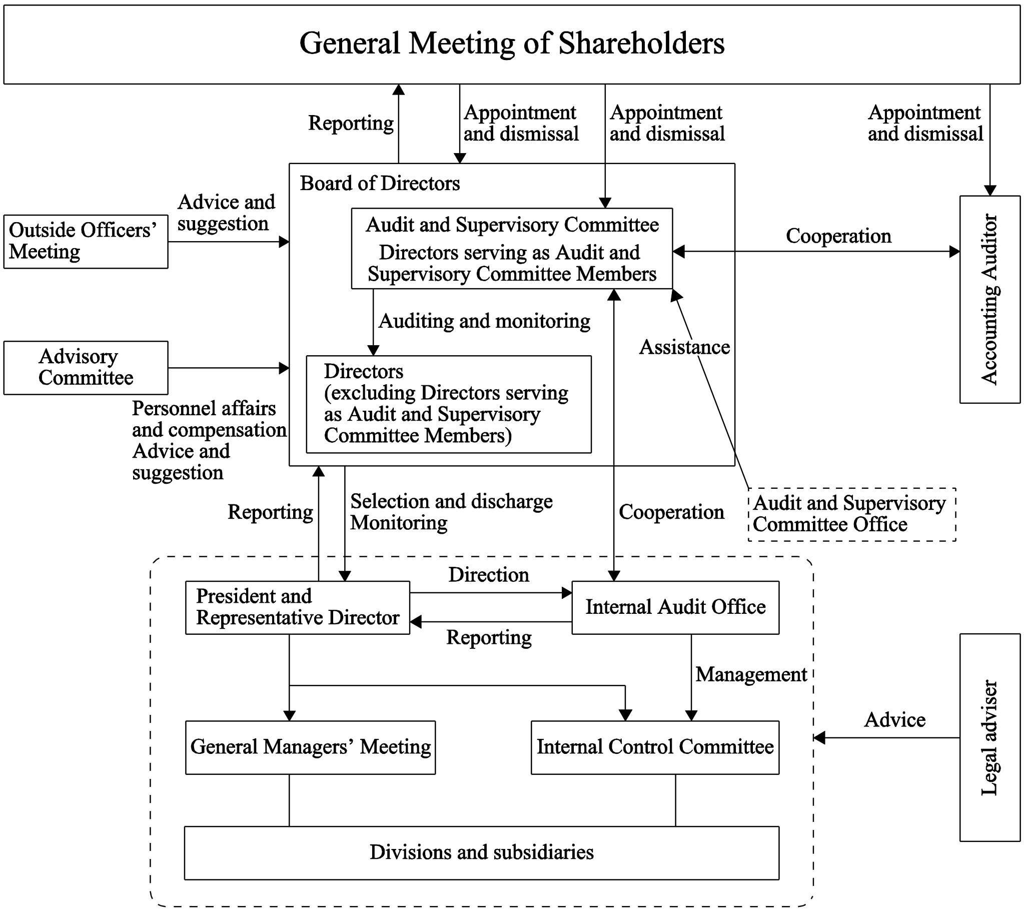
(Internal Control Committee)

The Internal Control Committee meets as a rule once a month. Set up along with the Audit and Supervisory Committee in June 2016, it has been established as an organization developed from the former Internal Management Reinforcement Committee. The President is the committee chairman and the General Manager of Internal Audit Office runs the operational business office. Executive officers at the grade of general manager and higher also attend, along with Directors (excluding Directors serving as Audit and Supervisory Committee Members) and the Director serving as a full-time Audit and Supervisory Committee Member. This committee consults and reports on wide-ranging risk management issues and operational status of internal controls.

(General Managers' Meeting)

The General Managers' Meeting, attended by Directors (excluding Directors serving as Audit and Supervisory Committee Members), Executive Officers, the Director serving as a full-time Audit and Supervisory Committee Member, and executives at the grade of general manager and above, is held once a month for discussions on important matters concerning management policy and performance of duties. A reporting meeting is also held once a month as a rule to follow the progress of operations at the Group companies.

Indicated below is a diagram of the corporate governance system of the Company.



ii) Other matters related to corporate governance

- Status of the Company's internal control systems

  The Company has created the following frameworks: systems for ensuring that performance of duties by Directors is in compliance with laws and regulations and the Articles of Incorporation; systems provided by laws and regulations as being necessary to otherwise ensure the propriety of operations of the Company and its subsidiaries making up the Daito Woolen Spinning & Weaving group; and systems for combating antisocial forces and frameworks for internal governance mechanisms relating to financial reporting. For these systems, basic policy is decided by the Board of Directors. To ensure their appropriate operation, audits are carried out by the Audit and Supervisory Committee as well as by the Internal Audit Office directly under the President. These measures ensure creation of a full internal control system that sets up necessary organizations and procedures, etc.

- Status of the Company's risk management systems

  The Company classifies and analyzes risk relating to Company operations and ensures appropriate management structures for risk management. With regard to compliance and risk, whenever major legal issues arise, consultations are undertaken as necessary with legal advisers and external experts to prevent actions that violate laws and regulations and the Articles of Incorporation. In the event of discovery by Directors of other Directors' actions that violate laws and regulations and the Articles of Incorporation, a framework is in place for immediate reporting to Directors serving as Audit and Supervisory Committee Members and Board of Directors. Regarding management of information, a basic information security policy and management procedure have been compiled, and are duly and effectively maintained and managed. In the event of major earthquakes or other disasters, an organized, systematic set of measures has been put in place based on disaster and crisis basic management procedures, to minimize the resulting impact. Measures are additionally taken to prevent risk from arising in the first place, through establishment of rules corresponding to various risk categories.

iii) Systems to ensure appropriate business operations of the subsidiaries of the Company

Regarding the operational management of the Group, meetings are duly held, including the operational auditing and other meetings held once a month as a rule, as platforms for the reporting of events relating to the carrying out of operations by subsidiaries, as a means to ensure that management follows operational procedures laid down for affiliated companies. Furthermore, we implement internal audits of subsidiaries through the Internal Audit Office, with results reported to directors of the subsidiaries and Directors of the Company. These form frameworks for management of risk of loss at subsidiaries, ensuring the effective performance of duties by directors of subsidiaries, and ensuring compliance with laws and regulations and the Articles of Incorporation in the execution of duties by directors and other employees of subsidiaries.

iv) Outline of the limited liability agreement

Based on the stipulation in Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Directors who are not Executive Directors, etc. to limit liability of damages, as stipulated in Article 423, Paragraph 1 of the Companies Act. The limit of liability under this agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act. These provisions are intended to ensure that Directors who are not Executive Directors, etc. are able to fully carry out the roles expected of them.

2) Internal audits and Audit and Supervisory Committee

The Company has set up an Internal Audit Office directly under the President as the section responsible for internal controls. It comprises four (4) members: two (2) full-time and two (2) part-time members. The Internal Audit Office carries out audits based on internal auditing plans, and regularly reports to the President and Audit and Supervisory Committee.

The Company has an Audit and Supervisory Committee which is composed of four (4) members in all (including three (3) Independent Outside Directors): one (1) full-time Audit and Supervisory Committee Member and three (3) Audit and Supervisory Committee Members. The full-time Audit and Supervisory Committee Member has long years of experience of accounting matters at the Company, and of the Independent Outside Directors serving as Audit and Supervisory Committee Members, one (1) is a partner from an accounting office qualified respectively as a certified public accountant and as a tax specialist; both of them have a thorough understanding of finance and accounting matters.

Based on the Audit and Supervisory Committee Regulations, the Audit and Supervisory Committee holds Committee meetings once a month as a rule. It audits the performance of duties by Directors (excluding Directors serving as Audit and Supervisory Committee Members) and compiles auditing reports. In order to assist the Audit and Supervisory Committee Members, the Company has set up an Audit and Supervisory Committee Office, and has appointed to it one (1) full-time office manager and one (1) part-time employee. In addition to the monthly Internal Control Committee, the Internal Audit Office and Audit and Supervisory Committee arrange monthly internal audit liaison meetings and maintain close cooperative relations by facilitating consultation and discussion meetings as needed. With the Accounting Auditor, it carries out regular accounting audits and facilitates consultations and discussion opportunities regarding major accounting issues as needed.

3) Outside Directors

The Company has four (4) Outside Directors, and has registered all of them as independent officers. None of these four Directors have any conflicts of interest in terms of interpersonal, capital, transaction or any other relations with the Company.

Based on their specialist knowledge, deep experience and wide understanding, the function and roles we expect of the Independent Outside Directors is to adequately supervise management from a position of neutrality and independence from the Company and give various kinds of management advice, thereby improving corporate governance at the Company.

With regard to Outside Directors, the Company has a policy of appointing personnel with a strong understanding of corporate management, finance and accounting, practical experience in law and other operationally necessary specialist knowledge and experience. It also has a policy of appointing Independent Outside Directors who are above suspicion of conflict of interest with general shareholders. Currently, all four (4) Outside Directors are registered as independent officers as they are not in breach of the criteria for independence laid down by the Company. Of the eight (8) Directors of the Company, 50% or four (4) of them are Independent Outside Directors. Leveraging their own separate fields of expertise, they are expected to correspondingly raise corporate governance standards.

An overview of the main criteria for independence is laid down by the Company follows.

・The Independent Outside Directors shall not be involved in execution of the business of the Company or of subsidiaries of the Company
・Independent Outside Directors shall not be significant transaction partners of the Company or the executing officer thereof
・Independent Outside Directors shall not be consultants or other kinds of specialist who derive large sums of money or other assets from the Company
・Independent Outside Directors shall not be major shareholders of the Company.

When having multiple Independent Outside Directors, the Company appoints one of them as senior Independent Outside Director. And as of the Annual General Meeting of Shareholders held on June 24, 2016, multiple Independent Outside Directors were approved by resolution. For this reason, a resolution was passed on the same day at the Board of Directors' meeting to appoint Director Yasunobu Sawada as senior Outside Director, and an Outside Officers' Meeting comprised only of Outside Directors was set up.

Through meetings and interviews, the Outside Directors, Internal Audit Office, Audit and Supervisory Committee and Accounting Auditor of the Company have opportunities for consultation and discussion as needed and maintain close cooperative relations.

4) Compensation paid to Executives

i) Total amount of remuneration, remuneration by type, and number of recipients, by class of executive

Category	Total Remuneration (Thousands of yen)	Total remuneration by remuneration type (Thousands of yen)				Number of Executives (Persons)
		Basic Remuneration	Stock Option	Bonus	Retirement Benefits	
Directors (excluding Audit and Supervisory Committee Members) (excluding Outside Directors)	33,786	33,319	466	—	—	5
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	4,950	4,950	—	—	—	1
Corporate Auditors (excluding Outside Corporate Auditors)	2,175	2,175	—	—	—	1
Outside Directors and Outside Corporate Auditors	15,825	15,825	—	—	—	5

Notes: 1. The Company has shifted from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee on June 24, 2016.

2. The remuneration framework for Directors (excluding Audit and Supervisory Committee Members) has been resolved to be an annual amount with an upper limit of 72,000 thousand yen (of which a remuneration within a range of up to 10,000 thousand yen for Outside Directors; does not include remuneration paid as employees) at the 196th Annual General Meeting of Shareholders held on June 24, 2016.

3. The remuneration framework for Directors (Audit and Supervisory Committee Members) has been resolved to be an annual amount with an upper limit of 36,000 thousand yen at the 196th Annual General Meeting of Shareholders held on June 24, 2016.

4. The remuneration framework for Corporate Auditors has been resolved to be an annual amount with an upper limit of 3,000 thousand yen at the 173rd Annual General Meeting of Shareholders held on June 29, 1993.

ii) Total amount of remuneration by executive at the Company

Not applicable, as there are no employees earning ¥100 million or more in total remuneration (consolidated).

iii) Remuneration paid to employees to those who serve concurrently as executives

Total Remuneration (Thousands of yen)	Number of Executives (Persons)	Description
10,366	3	Salaries for general managers of business headquarters

iv) Details of policy and method of decision-making regarding remuneration, etc. levels for executives, and decisions on method of calculation

The President makes decisions regarding the Directors' compensations by referencing opinions given by the Advisory Committee including the President and Vice President and mainly comprising Independent Outside Directors, which comprehensively takes into account each Director's experience as a management executive, knowledge, abilities and track record, after being so empowered by the Board of Directors' meeting, provided that the total sum to be paid out does not exceed a ceiling range laid down by resolution at the General Meeting of Shareholders.

5) Status of stocks held

i) Number of stocks held for any purposes other than pure investment

Number of stocks: 14

Total of the amounts recorded in the balance sheet: ¥243,368 thousand

ii) Holding classification, stocks, number of shares held, amount recorded in the balance sheet and holding purpose of the stocks for investment held for any purposes other than pure investment.

Prior fiscal year
Specific stocks for investment

Stocks	Number of shares held by the Company (Shares)	Amount recorded in the balance sheet (Thousands of yen)	Holding Purpose
THE SHIZUOKA BANK, LTD.	159,133	129,215	Maintain the trade relations, etc.
ENCHO Co., Ltd.	6,000	2,628	Maintain the trade relations, etc.
Isetan Mitsukoshi Holdings Ltd.	300	394	Maintain the trade relations, etc.
RENOWN INCORPORATED	100	11	Maintain the trade relations, etc.

Current fiscal year
Specific stocks for investment

Stocks	Number of shares held by the Company (Shares)	Amount recorded in the balance sheet (Thousands of yen)	Holding Purpose
THE SHIZUOKA BANK, LTD.	159,133	144,174	Maintain the trade relations, etc.
ENCHO Co., Ltd.	6,000	2,808	Maintain the trade relations, etc.
Isetan Mitsukoshi Holdings Ltd.	300	366	Maintain the trade relations, etc.
RENOWN INCORPORATED	100	11	Maintain the trade relations, etc.

iii) Number of stocks held for pure investment
Not applicable

6) Audit of financial statements

The Company has signed an auditing contract with BDO Toyo & Co., which serves as Accounting Auditor and carries out audits. The names of the certified public accountants who carried out auditing in the year ended March 31, 2017 are Messrs. Takeshi Tanaka and Hirokazu Osada. Assisting in the audit operations are nine (9) personnel including certified public accountants. No conflict of interest in terms of interpersonal, capital or transaction relations exist with the certified public accountant and his or her assistants who carried out audit operations.

7) Requisite number of Directors

The Company stipulates in its Articles of Incorporation that the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) shall be not more than eleven (11) and the number of Directors serving as Audit and Supervisory Committee Members shall be not more than four (4).

8) Requirement of a resolution for election and dismissal of Directors

The Company stipulates in its Articles of Incorporation that a resolution for the election of Directors shall be adopted through a majority vote of shareholders in attendance who hold at least one-third (1/3) of the voting rights held by shareholders entitled to exercise their voting rights, and shall not be determined by cumulative vote.

9) Enabling agenda items before the General Meeting of Shareholders to be resolved by the Board of Directors

- Acquisition of the Company’s shares
  The Company has determined in its Articles of Incorporation that the Company may acquire its own shares by a resolution of the Board of Directors as stipulated in Article 165, Paragraph 2 of the Companies Act. This is intended to enable management to act flexibly in response to changes in the business environment.
- Interim dividends
  The Company has determined in its Articles of Incorporation that the Company may, upon resolution by the Board of Directors, distribute interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act, with September 30 each year as the record date. This is intended to enable flexible distribution of profit to shareholders.

- Exemption from liabilities of the Directors
  The Company has determined in its Articles of Incorporation, as stipulated in Article 426, Paragraph 1 of the Companies Act, that the Company may exempt Directors (including former Directors) from liability for damages due to negligence of duties, and Corporate Auditors (including former Corporate Auditors) from liability for damages relating to actions taken before conclusion of the 196th Annual General Meeting of Shareholders as prescribed in Article 423, Paragraph 1 of the Companies Act, by resolution of the Board of Directors and to the extent permitted by laws and regulations. This is done so that the Directors can fully demonstrate their roles expected in executing their duties.

10) Requirements for extraordinary resolutions at the General Meeting of Shareholders

With regard to extraordinary resolutions at the General Meeting of Shareholders as provided in Article 309, Paragraph 2 of the Companies Act, the Company lays down in the Articles of Incorporation a provision to the effect that such resolutions may be passed by a two-thirds (2/3) majority vote of shareholders present holding not less than one-third (1/3) of the shares with voting rights held by shareholders entitled to exercise their voting rights. This relaxation of quorum rules for special resolutions at the General Meeting of Shareholders is intended to ensure that the General Meeting of Shareholders passes off smoothly.

(2) Details of audit fee, etc.

1) Details of the remuneration to the Certified Public Accountants

(Thousands of yen)

Category	Prior fiscal year		Current fiscal year	
	Remuneration to be paid for auditing and attestation	Remuneration to be paid for non-audit services	Remuneration to be paid for auditing and attestation	Remuneration to be paid for non-audit services
The Company	37,250	—	28,000	2,600
Consolidated subsidiaries	—	—	—	—
Total	37,250	—	28,000	2,600

2) Details of other important remuneration

(Prior fiscal year)
Not applicable

(Current fiscal year)
Not applicable

3) Details of non-audit services provided by the Certified Public Accountants to the Company

(Prior fiscal year)
Not applicable

(Current fiscal year)
The Company is paying fees to our previous Accounting Auditor Deloitte Touche Tohmatsu LLC regarding the procedures of changing audit firms.

4) Policy on determining the audit fee
The audit fee is determined after consideration of the number of days taken by the audit process, the scale and business characteristics of the Group, and other factors.

5. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976 “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements.”

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 59, 1963 “Regulations Concerning the Terminology, Forms and Preparation Methods of Non-Consolidated Financial Statements.” (hereafter, “Regulations on Non-Consolidated Financial Statements”)
The Company is qualified as a special company submitting non-consolidated financial statements and prepares the documents under Article 127 of the Regulations on Non-Consolidated Financial Statements.

2. Auditing and attestation

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2017(from April 1, 2016 to March 31, 2017) were audited by BDO Toyo & Co., in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law.
Certified public accountants, etc. to the Company were changed as follows.
For consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2016: Deloitte Touche Tohmatsu LLC
For consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2017: BDO Toyo & Co.

The Company has submitted an extraordinary report regarding the change above. The report had the following items.
(1) The names of the certified public accountants, etc. involved in the change
Deloitte Touche Tohmatsu LLC
BDO Toyo & Co.
(2) The date of the change: June 24, 2016
(3) Matters required to be reported when those serving as certified public accountants, etc. ceased to serve (outline)
i) The date on which certified public accountants, etc. to be changed most recently became certified public accountants, etc. to the Company: June 25, 2015
ii) Information required to be given regarding auditor reports on financial statements and internal control, etc. that were filed by certified public accountants, etc. to be changed.
Not applicable.
iii) Reasons for and background to the change
The term of Deloitte Touche Tohmatsu LLC, the Company’s auditor, expires at the close of the 196th Annual General Meeting of Shareholders. Hence, considering the number of years of its continued audit service, the Company has compared the auditor with others, in terms of auditing response appropriate for the Company's present business size and areas. As a result, the Company has determined that BDO Toyo & Co. is appropriate as its auditor after comprehensive consideration of its size, quality management system, independence and expertise as well as its membership in BDO International Limited, a global network of accounting firms. BDO Toyo & Co. is thus newly named as the Company’s auditor.
iv) Opinion of certified public accountants, etc. to be changed on matters in auditor reports on financial statements or internal control, etc., in response to the above reasons and background
The auditor to be changed gave no specific opinion.

3. Particular efforts to ensure appropriateness of the consolidated financial statements

In order to establish a system to ensure correct understanding of accounting standards, etc., and to correspond appropriately to any changes in these standards, etc., the Company has obtained membership in the Financial Accounting Standards Foundation, participates in seminars organized by audit firms and other organizations, and subscribes to accounting journals.

1. Consolidated Financial Statements

(1) Consolidated financial statements

1) Consolidated balance sheet

(Thousands of yen)

		Prior fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)
Assets				
Current assets				
Cash and deposits	*1	777,476	*1	1,678,627
Notes and accounts receivable-trade		512,836		480,554
Inventories	*2	424,094	*2	461,982
Deferred Tax Asset		—		60,785
Other		141,807		341,293
Allowance for doubtful accounts		—		(1,110)
Total current assets		1,856,216		3,022,133
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*1	6,488,744	*1	6,166,885
Land	*1, *5	9,343,758	*1, *5	9,339,792
Leased assets, net		192,997		168,982
Other, net		35,422		25,581
Total property, plant and equipment	*3	16,060,922	*3	15,701,243
Intangible assets		12,995		9,417
Investments and other assets				
Investment securities	*1, *4	265,809	*1, *4	280,920
Investments in capital of subsidiaries and associates		567,601		—
Claims provable in bankruptcy, claims provable in rehabilitation and other		101,243		90,173
Other		228,038		76,531
Allowance for doubtful accounts		(96,583)		(86,632)
Total investments and other assets		1,066,110		360,992
Total non-current assets		17,140,028		16,071,652
Total assets		18,996,244		19,093,785

(Thousands of yen)

		Prior fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)
Liabilities				
Current liabilities				
Notes and accounts payable-trade		401,870		384,203
Short-term loans payable	*1	3,168,584	*1	338,400
Current portion of bonds	*1	169,000	*1	—
Income taxes payable		7,002		29,762
Provision for bonuses		31,677		32,481
Provision for shareholder benefits		—		16,338
Other	*1	783,526	*1	722,073
Total current liabilities		4,561,660		1,523,259
Non-current liabilities				
Bonds payable	*1	696,500	*1	—
Long-term loans payable	*1	4,495,106	*1	8,807,800
Lease obligations		178,542		152,183
Long-term guarantee deposited	*1	2,226,166	*1	1,755,888
Deferred tax liabilities		3,194		279
Deferred tax liabilities for land revaluation	*5	2,212,849	*5	2,211,637
Net defined benefit liability		248,096		260,227
Asset retirement obligations		44,132		52,923
Other		29,681		—
Total non-current liabilities		10,134,269		13,240,938
Total liabilities		14,695,929		14,764,197
Net assets				
Shareholders' equity				
Capital stock		1,500,000		1,500,000
Capital surplus		503,375		503,375
Retained earnings		(2,812,168)		(2,658,134)
Treasury shares		(7,033)		(7,138)
Total shareholders' equity		(815,826)		(661,897)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(23,462)		(8,352)
Deferred gains or losses on hedges		(484)		445
Revaluation reserve for land	*5	4,990,956	*5	4,993,002
Foreign currency translation adjustment		149,131		5,767
Total accumulated other comprehensive income		5,116,141		4,990,863
Stock acquisition rights		—		622
Total net assets		4,300,315		4,329,588
Total liabilities and net assets		18,996,244		19,093,785

2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)		Current fiscal year (From April 1, 2016 to March 31, 2017)	
Net sales		5,407,011		4,701,997
Cost of sales	*1	4,100,505	*1	3,432,247
Gross profit		1,306,506		1,269,750
Selling, general and administrative expenses	*2	927,705	*2	852,681
Operating income		378,801		417,068
Non-operating income				
Interest income		201		80
Dividends income		7,790		5,586
Share of profit of entities accounted for using equity method		4,572		12,313
Refunded consumption taxes		—		48,324
Gain on sales of investment securities		32,694		—
Gain on sales of investments in capital		11,539		—
Penalty income		14,765		—
Other		13,255		7,164
Total non-operating income		84,818		73,470
Non-operating expenses				
Interest expenses		249,542		123,640
Commission for syndicate loan		64,500		80,166
Other		74,780		19,130
Total non-operating expenses		388,822		222,937
Ordinary income		74,797		267,602
Extraordinary income				
Gain on sales of investments in capital		—		109,743
Gain on transfer of business		64,814		—
Total extraordinary income		64,814		109,743
Extraordinary losses				
Loss on sales of investment in capital of subsidiaries and associates		—		121,977
Reimbursement of prepayment		—		107,257
Total extraordinary losses		—		229,234
Profit before income taxes		139,612		148,111
Income taxes-current		15,393		57,143
Income taxes-deferred		(613)		(65,112)
Total income taxes		14,780		(7,968)
Profit		124,831		156,079
Profit attributable to owners of parent		124,831		156,079

Consolidated statement of comprehensive income

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Profit	124,831	156,079
Other comprehensive income		
Valuation difference on available-for-sale securities	(64,497)	15,110
Deferred gains or losses on hedges	163	929
Revaluation reserve for land	121,410	—
Foreign currency translation adjustment	(1,812)	(3,289)
Share of other comprehensive income of entities accounted for using equity method	(30,231)	(140,074)
Total other comprehensive income	* 25,032	* (127,324)
Comprehensive income	149,864	28,755
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	149,864	28,755
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in equity

Prior fiscal year (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,500,000	503,375	(2,937,000)	(7,012)	(940,636)
Changes of items during period					
Profit attributable to owners of parent			124,831		124,831
Purchase of treasury shares				(21)	(21)
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	124,831	(21)	124,810
Balance at end of current period	1,500,000	503,375	(2,812,168)	(7,033)	(815,826)

	Accumulated other comprehensive income					Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	41,034	(648)	4,869,546	181,176	5,091,108	—	4,150,472
Changes of items during period							
Profit (loss) attributable to owners of parent							124,831
Purchase of treasury shares							(21)
Reversal of revaluation reserve for land							—
Net changes of items other than those in shareholders' equity	(64,497)	163	121,410	(32,044)	25,032	—	25,032
Total changes of items during period	(64,497)	163	121,410	(32,044)	25,032	—	149,842
Balance at end of current period	(23,462)	(484)	4,990,956	149,131	5,116,141	—	4,300,315

Current fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,500,000	503,375	(2,812,168)	(7,033)	(815,826)
Changes of items during period					
Profit (loss) attributable to owners of parent			156,079		156,079
Purchase of treasury shares				(104)	(104)
Reversal of revaluation reserve for land			(2,046)		(2,046)
Net changes of items other than shareholders’ equity					
Total changes of items during period	—	—	154,033	(104)	153,928
Balance at end of current period	1,500,000	503,375	(2,658,134)	(7,138)	(661,897)

	Accumulated other comprehensive income					Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(23,462)	(484)	4,990,956	149,131	5,116,141	—	4,300,315
Changes of items during period							
Profit (loss) attributable to owners of parent							156,079
Purchase of treasury shares							(104)
Reversal of revaluation reserve for land							(2,046)
Net changes of items other than those in shareholders’ equity	15,110	929	2,046	(143,364)	(125,277)	622	(124,655)
Total changes of items during period	15,110	929	2,046	(143,364)	(125,277)	622	29,273
Balance at end of current period	(8,352)	445	4,993,002	5,767	4,990,863	622	4,329,588

4) Consolidated statement of cash flows

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	139,612	148,111
Depreciation	419,871	405,317
Increase (decrease) in allowance for doubtful accounts	(28,426)	(8,840)
Increase (decrease) in provision for sales returns	(361,200)	—
Increase (decrease) in provision for bonuses	(2,206)	804
Increase (decrease) in provision for shareholder benefits	—	16,338
Increase (decrease) in net defined benefit liability	(10,615)	12,131
Interest and dividend income	(7,991)	(5,667)
Loss (gain) on sales of investment securities	(32,694)	—
Loss (gain) on sales of investment in capital of subsidiaries and associates	—	121,977
Loss (gain) on sales of investments in capital	(11,539)	(109,743)
Interest expenses	249,542	123,640
Reimbursement of prepayment	—	107,257
Share of (profit) loss of entities accounted for using equity method	(4,572)	(12,313)
Loss (gain) on transfer of business	(64,814)	—
Decrease (increase) in notes and accounts receivable - trade	522,839	35,679
Decrease (increase) in inventories	182,144	(37,892)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	26,159	11,070
Increase (decrease) in notes and accounts payable - trade	(498,521)	7,501
Increase (decrease) in guarantee deposits received	(293,141)	(173,136)
Decrease (increase) in other assets	1,600	19,286
Increase (decrease) in other liabilities	(181,113)	115,428
Subtotal	44,930	776,951
Interest and dividend income received	7,986	5,667
Interest paid	(248,753)	(127,919)
Reimbursement of prepayment paid	—	(107,257)
Income taxes paid	(33,721)	(18,848)
Net cash provided by (used in) operating activities	(229,557)	528,592
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(94,121)	(37,056)
Purchase of securities	—	(600,000)
Proceeds from redemption of securities	10,000	600,000
Purchase of investment securities	(344)	—
Proceeds from sales of investment securities	49,696	—
Proceeds from withdrawal of time deposits	—	80,000
Payments for asset retirement obligations	(6,674)	—
Proceeds from transfer of business	64,814	—
Proceeds from sales of investments in capital	26,807	262,781
Payment for lease deposits	—	(17,823)
Collection of lease deposits	—	53,909
Other	85	1,959
Net cash provided by (used in) investing activities	50,264	343,770

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	(540,000)
Proceeds from long-term loans payable	2,140,000	9,400,000
Repayments of long-term loans payable	(2,631,806)	(7,377,490)
Repayments of construction assistance fund receivables	—	(400,738)
Proceeds from issuance of bonds	650,000	—
Redemption of bonds	(184,500)	(865,500)
Repayments of lease obligations	(26,359)	(26,359)
Decrease (increase) in treasury shares	(21)	(104)
Others	—	(80,166)
Net cash provided by (used in) financing activities	(52,686)	109,641
Effect of exchange rate change on cash and cash equivalents	(689)	(855)
Net increase (decrease) in cash and cash equivalents	(232,669)	981,148
Cash and cash equivalents at beginning of the period	919,966	687,297
Cash and cash equivalents at end of the period	* 687,297	* 1,668,446

[Notes to Consolidated Financial Statements]

(Significant matters that provide the basis for preparing the consolidated financial statements)

1. Scope of consolidation
   (1) Number of consolidated subsidiaries: 3
   The names of consolidated subsidiaries:
   Daitobo Estate Co., Ltd.
   Niigata Daitobo Co., Ltd.
   DAITOBOSHOKU (SHANGHAI) CORPORATION

   Note: Rockingham PENTA Co., Ltd. was excluded from the scope of consolidation due to completion of liquidation in the current consolidated fiscal year.

   (2) There are no unconsolidated subsidiaries

2. Equity method
   (1) Number of affiliated companies accounted for by the equity method: 0
   Note: NINGBO SHANJING APPAREL CO. LTD was excluded from the scope of equity method at the end of the current fiscal year due to sale of the entire equity interest in the company.

   (2) The name of affiliated company not accounted for by the equity method:
   Takara Textile Industry Co., Ltd.
   Reason for exclusion of the affiliated company from consolidation
   The affiliated company not accounted for by the equity method is a small-sized company, which does not have significant impact on the consolidated financial statements in terms of profit or loss (amount corresponding to the Company's equity) and retained earnings (amount corresponding to the Company's equity), etc. Therefore, it has been excluded from consolidation.

3. Accounting period of consolidated subsidiaries
   Of the consolidated subsidiaries, DAITOBOSHOKU (SHANGHAI) CORPORATION closes its books of account on December 31, and is consolidated by using its financial statements as of the closing date. However, necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

4. Significant accounting policies
   (1) Valuation standards and methods for significant assets
   i) Securities
   Other securities:
   Those with market value:
   Market value method based on the market price, etc. as of the fiscal closing date (the valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)
   Those without market value:
   Cost method by the moving-average method
   ii) Derivative financial instruments
   Market value method.
   iii) Inventories
   Stated at cost determined by the gross average method (carrying amount is written down book value due to decreased profitability).

   (2) Depreciation method of significant depreciable assets:
   i) Property, plant and equipment (excluding leased assets)
   The Company and those of local consolidated subsidiaries are depreciated using the declining-balance method.
   All the buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 are depreciated using the straight-line method.
   Those of foreign consolidated subsidiaries are depreciated using the straight-line method.
   Major useful lives are as follows:
   Buildings and structures: 3-47 years
   ii) Intangible fixed assets (excluding leased assets)
   Straight-line method
   Software (for internal use) is amortized over the internally estimated useful lives (5 years).
   iii) Leased assets
   Leased assets related to finance lease transactions which do not transfer ownerships to the lessee
   Leased assets are depreciated over the lease terms as useful lives, using the straight-line method without any residual value. However, for lease transactions with residual value guarantees, the residual value equivalent is the residual value guarantee amount.

(3) Basis for significant reserves

i) Allowance for doubtful accounts

In order to prepare for possible credit losses on receivables, the Company and its subsidiaries record the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables.

ii) Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount to be paid in this consolidated fiscal year is recorded as provision for bonuses.

iii) Provision for shareholder benefits

In order to prepare for future expenses for the shareholder benefit program, the estimated spending amount is recorded as provision for shareholder benefits.

(4) Accounting for retirement benefits

In calculating net defined benefit liability and retirement benefit expenses, the Company and its consolidated subsidiaries adopt the simplified method whereby the benefit obligation is deemed to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end.

(5) Translation of significant foreign currency denominated assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are charged or credited to income. Assets, liabilities, incomes, and expenses of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date of the subsidiaries, and differences arising from the translation are presented as foreign currency translation adjustment in the net assets section.

(6) Significant hedge accounting method

i) Hedge accounting method

Deferred hedge accounting is applied for derivative instruments.
Appropriation treatment is applied for forward exchange contracts which are qualified for such treatment.
Special treatment is applied for interest rate swaps which are qualified for such treatment.

ii) Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swaps Forward exchange contracts	Long-term loans payable Receivables and payables denominated in foreign currencies Forecasted transactions denominated in foreign currencies

iii) Hedging policy

Derivative transactions regarding currency and interest rate are used to mitigate risks associated with foreign currency exchange and interest rate fluctuations and to reduce fund-raising costs.

iv) Assessment of hedge effectiveness

The hedge effectiveness is assessed semi-annually based on the correlation between the change in aggregated amount of cash flow of the hedged items and the change in aggregated amount of cash flow of the hedging instruments. However, for forward exchange contracts, the determination of effectiveness is omitted because the important conditions concerning the hedging instrument and the assets and liabilities of the hedged item or the forecast transaction are the same. Assessment of hedge effectiveness is omitted for interest rate swaps that are qualified for special treatment.

(7) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(8) Other significant matters for preparation of the consolidated financial statements

Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(Changes in accounting policies)

In line with the revisions to the Corporation Tax Act of Japan, the Company applied “Practical Solution on a change in depreciation method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016)” in the fiscal year ended March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.
This has only a minor effect on the Company’s consolidated financial statements for the fiscal year ended March 31, 2017.

(Additional information)
The Company applied “Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016)” from the fiscal year ended March 31, 2017.

(For consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Cash and deposits (deposits)	80,000	—
Buildings and structures	6,433,773	6,118,201
Land	9,261,351	9,096,008
Investment securities	128,620	—
Total	15,903,746	15,214,210

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Short-term loans payable	3,160,225	338,400
Current portion of bonds	169,000	—
Other current liabilities (current portion of guarantee deposits received)	88,833	61,436
Bonds payable	696,500	—
Long-term loans payable	4,495,106	8,807,800
Long-term guarantee deposited	803,967	742,530
Total	9,413,631	9,950,167

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Merchandise and finished goods	414,405	457,900
Work in process	1,193	979
Raw materials and supplies	8,496	3,101
Total	424,094	461,982

*3 Accumulated depreciation of property, plant and equipment (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Accumulated depreciation of property, plant and equipment	6,907,556	7,303,120

*4 Capital of subsidiaries and associates are as follows. (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Investment securities (stocks)	36,656	36,656

*5 Revaluation of land

The Company revaluated land for business use in accordance with “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998) and the tax equivalent to this revaluation variance has been stated in Liabilities as “Deferred tax liabilities for land revaluation,” while the deducted amount has been stated in Net Assets as “Revaluation reserve for land.”

Method of revaluation:

The land price for the revaluation is determined based on the “price computed based on the method established and published by the Director General of National Tax Agency in order to calculate the land value for a basis of determining the taxable amount subject to land value tax prescribed by Article 16 of the Land-holding Tax Act” set forth in Article 2, Item 4 of “Order for Enforcement on Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) with reasonable adjustments.

Date of revaluation: March 31, 2002

6. Discounted notes receivables (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
	44,878	10,000

7. Financial restraint clauses

The following financial restraint clauses are set for loans payable (syndicated loan contracts concluded on March 31, 2016, and on June 8, 2016).

i) For the fiscal year ended March 31, 2016 and thereafter, the amount of net assets presented on consolidated balance sheet at the end of accounting period of each fiscal year shall be maintained at 75% or more of the amount of net assets presented on consolidated balance sheet at the end of the fiscal year ended March 31, 2015.

ii) For the two consecutive fiscal years with the fiscal year ended March 31, 2016 or thereafter being the first accounting period, ordinary income (loss) presented in the consolidated statement of income for the accounting period of each fiscal year shall not be loss for two consecutive fiscal years. The first determination whether this item has been satisfied shall be made on the accounting for the fiscal year ended March 31, 2017 and for the immediately preceding fiscal year.

(For consolidated statement of income)

*1 The ending inventory balance is the book value after write-down as a result of reduced profitability, and the following loss on valuation of inventories is included in the cost of sales.

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
	40,586	538

*2 The main expense items and amounts under selling, general and administrative expenses are as follows.

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Salaries	293,988	265,828
Provision for bonuses	23,490	24,570
Retirement benefit expenses	27,593	13,247
Provision of allowance for doubtful accounts	15,720	(6,521)
Provision for shareholder benefits	—	16,338

(For consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects in relation to other comprehensive income

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Valuation difference on available-for-sale securities:		
Amount arising during the period	(51,381)	15,110
Amount of reclassification adjustments	(32,694)	—
Before tax-effect adjustment	(84,075)	15,110
Amount of tax effects	19,577	—
Valuation difference on available-for-sale securities	(64,497)	15,110
Deferred gains or losses on hedges:		
Amount arising during the period	163	1,128
Amount of tax effects	—	(198)
Deferred gains or losses on hedges	163	929
Revaluation reserve for land:		
Amount of tax effects	121,410	—
Foreign currency translation adjustment:		
Amount arising during the period	(1,812)	(3,289)
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	(30,231)	(49,434)
Amount of reclassification adjustments	—	(90,640)
Share of other comprehensive income of entities accounted for using equity method	(30,231)	(140,074)
Total other comprehensive income	25,032	(127,324)

(For consolidated statement of changes in equity)

Prior fiscal year (From April 1, 2015 to March 31, 2016)

1. Shares issued and treasury stock

(Shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued:				
Common stock	30,000,000	—	—	30,000,000
Total	30,000,000	—	—	30,000,000
Treasury stock:				
Common stock (Note)	65,912	301	—	66,213
Total	65,912	301	—	66,213

Note: The increase of 301 shares in treasury stock of common stock is due to purchase of stocks of less than a standard unit.

2. Stock acquisition rights
Not applicable

3. Dividends
Not applicable

Current fiscal year (From April 1, 2016 to March 31, 2017)

1. Shares issued and treasury stock

(Shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued:				
Common stock	30,000,000	—	—	30,000,000
Total	30,000,000	—	—	30,000,000
Treasury stock:				
Common stock (Note)	66,213	1,485	—	67,698
Total	66,213	1,485	—	67,698

Note: The increase of 1,485 shares in treasury stock of common stock is due to purchase of stocks of less than a standard unit.

2. Stock acquisition rights

Company name	Breakdown	Type of shares to be issued upon exercise	Number of shares to be issued upon exercise				Outstanding stock options at the end of current fiscal year (Thousands of yen)
			At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year	
The Company	Stock acquisition rights in the form of 2016 stock options	—	—	—	—	—	622
Total			—	—	—	—	622

(Note) For stock acquisition rights in the form of 2016 stock options, the first day of their exercise period has yet to arrive.

3. Dividends
Not applicable

(For consolidated statement of cash flows)

* Cash and cash equivalents as of the year-end are reconciled to the accounts reported in the consolidated balance sheet as follows.

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Cash and deposits	777,476	1,678,627
Time deposits as collateral	(80,000)	—
Time deposits with maturities of more than three months	(10,179)	(10,181)
Cash and cash equivalents	687,297	1,668,446

(For lease transactions)

Finance lease transactions which do not transfer ownerships to the lessee (Lessees' accounting)

1) Leased assets

Property, plant and equipment

Leased assets primarily consist of air conditioning systems (facilities attached to buildings) at the commercial facilities for the Commercial property business.

2) Depreciation method for leased assets

Described in "4. Significant accounting policies (2) Depreciation method of significant depreciable assets" under Significant matters that provide the basis for preparing the consolidated financial statements.

(For financial instruments)

1. Financial instruments

(1) Policies on financial instruments

Concerning fund management, the Group gives priority to safety and limits the management of funds to short-term deposits, etc. with lower market risk for efficient operation. The Group secures funds mainly through borrowings from banks. The Group's policy for derivative transactions is to conduct derivative transactions based on the actual demand for hedging, and not to conduct derivative transactions for speculative purposes or for trading profit.

(2) Description of financial instruments, related risks, and risk management system

Notes and accounts receivable-trade are exposed to credit risks of the customers. These risks are managed based on the credit limit operational standard prepared in accordance with "Credit Limit Management Regulation."

Investment securities are those issued by the companies with whom the Company maintains trading relations, and are exposed to credit risk of the issuers, interest rate fluctuation risk, market price fluctuation risk, etc. They are managed through periodic assessment of market value and credit status.

Credit risks associated with claims provable in bankruptcy, claims provable in rehabilitation and other are managed through periodic assessment of credit status of each obligator.

Notes and accounts payable-trade are debts to suppliers and outsourcing partners, and are paid out in a short term.

Loans payable comprised of long-term loans from banks for working capital and capital expenditure are exposed to interest rate fluctuation risk. For this interest rate fluctuation risk.

Lease obligations pertaining to finance lease transactions are mainly those associated with the capital expenditure for air conditioning systems at commercial facilities in Mishima area.

Guarantee deposits received are those associated with the rental properties in the Commercial property business.

Derivative transactions are forward foreign exchange contracts with the purpose of hedging exchange fluctuation risk pertaining to receivables and payables denominated in foreign currencies and loans receivable denominated in foreign currencies from foreign consolidated subsidiaries. Forward foreign exchange contracts are exposed to fluctuation risks in foreign currency exchange rate. The Company's counterparties for derivative transactions are all highly creditworthy domestic financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty default risk. These fluctuation risks are managed through periodic assessment of market value.

(3) Supplemental explanation on the fair value of financial instruments

Fair value of financial instruments includes value based on market prices and value reasonably determined when there is no available market price. As variable factors are incorporated in determining the relevant value, such relevant value may change by adopting different preconditions, etc. Contract amounts concerning derivative transactions presented in "For derivative transactions" do not represent market risk of the derivative transactions.

2. Fair value of financial instruments

The following tables indicate the amount recorded in the consolidated balance sheet, the fair value and the difference as of March 31, 2016 and March 31, 2017 for various financial instruments. Assets and liabilities for which it is deemed difficult to measure the fair value are not included in the tables below. (Refer to Note 2.)

Prior fiscal year (As of March 31, 2016)

(Thousands of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	777,476	777,476	—
(2) Notes and accounts receivable-trade	512,836	512,836	—
(3) Securities and investment securities Other securities	132,249	132,249	—
(4) Claims provable in bankruptcy, claims provable in rehabilitation and other	101,243		
Allowance for doubtful accounts	(96,583)		
	4,660	4,660	—
Total assets	1,427,223	1,427,223	—
(1) Notes and accounts payable-trade	401,870	401,870	—
(2) Short-term loans payable (excluding current portion of long-term loans payable)	540,000	540,000	—
(3) Income taxes payable	7,002	7,002	—
(4) Bonds payable (including current portion of bonds)	865,500	870,485	4,985
(5) Long-term loans payable (including current portion of long-term loans payable)	7,123,690	7,150,055	26,365
(6) Lease obligations (including current portion of lease obligations)	204,901	181,823	(23,078)
(7) Guarantee deposits received (including current portion of guarantee deposits received)	2,466,236	2,470,818	4,582
Total liabilities	11,609,200	11,622,055	12,855
Derivative transactions (*)	(484)	(484)	—

(*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Current fiscal year (As of March 31, 2017)

(Thousands of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,678,627	1,678,627	—
(2) Notes and accounts receivable-trade	480,554		
Allowance for doubtful accounts	(600)		
	479,954	479,954	—
(3) Securities and investment securities 1) Other securities	147,360	147,360	—
(4) Claims provable in bankruptcy, claims provable in rehabilitation and other	90,173		
Allowance for doubtful accounts	(86,632)		
	3,540	3,540	—
Total assets	2,309,482	2,309,482	—
(1) Notes and accounts payable-trade	384,203	384,203	—
(2) Income taxes payable	29,762	29,762	—
(3) Long-term loans payable (including current portion of long-term loans payable)	9,146,200	9,146,200	—
(4) Lease obligations (including current portion of lease obligations)	178,542	159,415	(19,126)
(5) Guarantee deposits received (including current portion of guarantee deposits received)	1,892,361	1,800,613	(91,747)
Total liabilities	11,631,069	11,520,195	(110,874)
Derivative transactions (*)	643	643	—

(*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts.

(Note 1) Calculation method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets:

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Fair value is calculated based on the book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(3) Investment securities

Fair value is calculated based on the prices traded at the securities exchange.

(4) Claims provable in bankruptcy, claims provable in rehabilitation and other

Fair value of claims provable in bankruptcy, claims provable in rehabilitation and other are based on the balance sheet amount at the consolidated closing date less the currently estimated uncollectable amount as the fair value of these assets are almost equal to such amount.

Liabilities:

(1) Notes and accounts payable-trade and (2) Income taxes payable

Fair value is calculated based on the book value as these liabilities are settled within a short time and fair value is almost equal to the book value.

(3) Long-term loans payable

Fair value of long-term loans payable is calculated based on the book value as these are based on floating interest rates which reflect market interest rates within a short term and thus fair value is almost equal to the book value.

(4) Lease obligations

Fair value of lease obligations is calculated based on the present value estimated by discounting the total principal and interest, using discount rates which would be applicable for similar new lease transactions.

(5) Guarantee deposits received

Fair value of guarantee deposits received is calculated based on the present value discounted at interest rate that takes into account the period remaining until repayment date and credit risks of such guarantee deposits received.

Derivative transactions:

Refer to the notes in “For derivative transactions.”

(Note 2) The amounts of financial instruments recorded in the consolidated balance sheet for which it is deemed difficult to measure the fair value

(Thousands of yen)

Classification	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Unlisted stocks	133,559	133,559
Investments in capital of subsidiaries and associates	567,601	—

These are not included in (3) Securities and investment securities under assets, as they are nonmarketable and deemed difficult to measure the fair value.

(Note 3) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Prior fiscal year (As of March 31, 2016) (Thousands of yen)

	Due within one year	Due after one year but within five years
Deposits	727,029	—
Notes and accounts receivable-trade	512,836	—
Claims provable in bankruptcy, claims provable in rehabilitation and other (*)	4,660	—
Total	1,244,526	—

(*) Of claims provable in bankruptcy, claims provable in rehabilitation and other, ¥96,583 thousand, of which expected redemption amount cannot be estimated, is not included in the above table.

Current fiscal year (As of March 31, 2017) (Thousands of yen)

	Due within one year	Due after one year but within five years
Deposits	1,628,206	—
Notes and accounts receivable-trade	480,554	—
Total	2,108,760	—

(*) Of claims provable in bankruptcy, claims provable in rehabilitation and other, ¥90,173 thousand, of which expected redemption amount cannot be estimated, is not included in the above table.

(Note 4) Redemption schedule after the balance sheet date for bonds payable, long-term loans payable, lease obligations and other interest-bearing debt

Prior fiscal year (As of March 31, 2016) (Thousands of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	540,000	—	—	—	—	—
Bonds payable	169,000	469,000	122,500	70,000	35,000	—
Long-term loans payable	2,628,584	2,811,888	1,446,712	151,552	76,594	8,360
Lease obligations	26,359	26,359	25,526	22,296	21,845	82,515
Other interest-bearing debt	60,200	43,330	33,330	33,330	33,330	197,405
Total	3,424,143	3,350,577	1,628,068	277,178	166,769	288,281

Current fiscal year (As of March 31, 2017) (Thousands of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Long-term loans payable	338,400	338,400	338,400	8,131,000	—	—
Lease obligations	26,359	25,526	22,296	21,845	21,845	60,669
Total	364,759	363,926	360,696	8,152,845	21,845	60,669

(For securities)

1. Other securities

Prior fiscal year (As of March 31, 2016) (Thousands of yen)

	Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount recorded in the consolidated balance sheet exceeds their acquisition cost	Stock	3,022	2,294	727
Securities whose carrying amount recorded in the consolidated balance sheet does not exceed their acquisition cost	Stock	129,227	153,417	(24,190)
Total		132,249	155,712	(23,462)

(Note) The above “other securities” do not include unlisted shares (¥133,559 thousand recorded in the consolidated balance sheet), as they are nonmarketable and deemed difficult to measure the fair value.

Current fiscal year (As of March 31, 2017) (Thousands of yen)

	Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount recorded in the consolidated balance sheet exceeds their acquisition cost	Stock	3,174	2,294	879
Securities whose carrying amount recorded in the consolidated balance sheet does not exceed their acquisition cost	Stock	144,185	153,417	(9,231)
Total		147,360	155,712	(8,352)

(Note) The above “other securities” do not include unlisted shares (¥133,559 thousand recorded in the consolidated balance sheet), as they are nonmarketable and deemed difficult to measure the fair value.

2. Other securities sold during the fiscal year

Prior fiscal year (From April 1, 2015 to March 31, 2016)

Type of securities	Sales proceeds	Total gain	Total loss
Stock	49,696	32,694	—

Current fiscal year (From April 1, 2016 to March 31, 2017)
Not applicable

(For derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

Prior fiscal year (As of March 31, 2016)
Not applicable

Current fiscal year (As of March 31, 2017)
Not applicable

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

Prior fiscal year (As of March 31, 2016)

(Thousands of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Principle treatment method	Forward foreign exchange contracts: Sell: USD	Long-term loans receivable from subsidiaries and associates	4,432	—	(53)
	Buy: USD	Accounts payable-trade	13,999	—	(431)

Note: Calculation of fair value is based on the prices presented from the financial institutions with which derivatives are transacted.

Current fiscal year (As of March 31, 2017)

(Thousands of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Principle treatment method	Forward foreign exchange contracts: Buy: USD	Accounts payable-trade	2,301	—	(96)
Appropriation treatment for forward exchange contracts	Forward foreign exchange contracts: Sell: USD	Long-term loans receivable from subsidiaries and associates	18,595	—	Note 2
	CNY	Accounts receivable	149,280	—	

Note:
1. Calculation of fair value is based on the prices presented from the financial institutions with which derivatives are transacted.
2. The fair value of forward exchange contracts which are accounted using appropriation treatment is included in that of corresponding hedged long-term loans payable/ accounts receivable of affiliated companies as those forward exchange contracts are recorded as an adjustment to long-term loans payable/ accounts receivable of affiliated companies of hedged instruments under the appropriation treatment.

(2) Interest-related transactions

Prior fiscal year (As of March 31, 2016)

(Thousands of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Special treatment for interest rate swaps	Interest rate swaps: Receive floating/pay fixed	Long-term loans payable	4,300,332	3,288,996	(Note)

Note: The fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term loans payable as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

Current fiscal year (As of March 31, 2017)
Not applicable

(For retirement benefits)

1. Description of retirement benefit plans

The Company and its domestic consolidated subsidiaries have reserve-type lump-sum benefit plans based on a retirement benefit regulation.

The lump-sum benefit plans of the Company and its domestic consolidated subsidiaries apply a simplified method for calculation of net defined benefit liability and retirement benefit expenses.

2. Defined-benefit pension plan

(1) Adjustments between the beginning and ending balances of net defined benefit liability for the plan adopting the simplified method

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Net defined benefit liability at the beginning of the year	258,712	248,096
Retirement benefit expenses	30,909	14,403
Retirement benefits paid	(41,525)	(2,271)
Net defined benefit liability at the end of the year	248,096	260,227

(2) Breakdown of retirement benefit expenses

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Retirement benefit expenses based on the simplified method	30,909	14,403

(For stock option plans, etc.)

1. Expense amount for stock option plans and item

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Selling, general and administrative expenses	—	622

2. Details of stock option plans, volume and changes

(1) Details of stock option plans

Company name	The Company
Date for resolution	November 9, 2016
No. of individuals covered by the Plan	3 Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company 2 Executive officers of the Company
Type and number of shares to be issued upon exercise	Common stock: 80,000 shares
Grant date	December 5, 2016
Vesting conditions	Not set
Number of required service years	Not set
Exercise period	December 5, 2019 - December 4, 2024

(2) Volume of stock options and changes thereto

This concerns stock options that existed in the fiscal year ended March 31, 2017, and numbers are expressed in terms of the number of underlying shares.

i) Number of stock options

Company name	The Company
Date for resolution	November 9, 2016
Shares that have not vested	
At the end of the prior fiscal year	—
Granted	80,000
Forfeited	—
Vested	—
Not yet vested	80,000
Shares that have vested	
At the end of the prior fiscal year	—
Vested	—
Exercised	—
Forfeited	—
Not yet exercised	—

ii) Price information

Company name	The Company
Date for resolution	November 9, 2016
Exercise price (yen)	1
Average stock price at the time of exercise (yen)	—
Fair unit value as of the grant date (yen)	70

3. Method for estimating the fair unit value of stock options granted in the fiscal year ended March 31, 2017
   (1) Method used: Black-Scholes equation
   (2) Primary basic numerical values and estimation method

Stock price volatility (Note 1)	38.2%
Estimated remaining period (Note 2)	5.5 years
Estimated dividends (Note 3)	0 yen/share
Estimated risk-free interest rate (Note 4)	(0.10)%

(Notes) 1. Calculated on the basis of stock performance over 5.5 years (from June 5, 2011, to December 5, 2016).
2. The options are assumed to be exercised at the middle point of the exercise period as no sufficient data is available and rational estimation is difficult.
3. Based on the dividend payout in the year ended March 31, 2016.
4. Japanese government bonds' yield for the estimated remaining period.

4. Method for estimating the number of vested shares in stock options

   A method to reflect only actual forfeitures is adopted because rational estimation of future forfeitures is fundamentally difficult.

(For tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(1) Current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Deferred tax assets:		
Loss on valuation of inventories	25,103	24,274
Provision for bonuses	10,016	10,256
Accrued expenses	1,633	1,212
Net operating loss brought forward	—	41,179
Other	2,081	15,000
Total gross deferred tax assets	38,835	91,923
Valuation allowance	(38,835)	(30,939)
Net deferred tax assets	—	60,984
Deferred tax liabilities:		
Deferred gains (losses) on hedges	—	(198)
Total gross deferred tax liabilities	—	(198)
Net deferred tax assets	—	60,785

(2) Non-current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Deferred tax assets:		
Impairment loss	30,249	26,367
Allowance for doubtful accounts	29,573	26,866
Net defined benefit liability	76,463	80,204
Asset retirement obligations	13,725	16,419
Net operating loss brought forward	953,652	888,702
Valuation difference on available-for-sale securities	7,184	2,557
Other	1,435	1,390
Total gross deferred tax assets	1,112,283	1,042,507
Valuation allowance	(1,112,283)	(1,037,793)
Net deferred tax assets	—	4,714
Deferred tax liabilities:		
Property, plant and equipment (asset retirement expense)	(3,194)	(4,993)
Total gross deferred tax liabilities	(3,194)	(4,993)
Net deferred tax liabilities	(3,194)	(279)
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,212,849)	(2,211,637)

2. The reconciliation between the effective tax rates reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Statutory tax rate	33.1%	30.9%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	7.5%	6.5%
Inhabitant tax on per capita basis	3.6%	3.4%
Change in valuation allowance	(51.6%)	(58.0%)
Different tax rates applied to consolidated subsidiaries	19.7%	0.7%
Foreign withholding tax	—%	
Other	(1.6%)	(3.6%)
Effective tax rates after adoption of tax-effect accounting	10.7%	(5.4%)

(For asset retirement obligations)

Asset retirement obligations recorded on consolidated balance sheet

(1) Description of the asset retirement obligations

They are legal obligations required by laws and regulations such as Construction Material Recycling Act and Fluorocarbons Recovery and Destruction Act pertaining to the real estate owned by the Company, and the cost for returning leased building to original state based on lease agreements, etc.

(2) Calculation method of the asset retirement obligations

They are calculated by estimating expected period of use of each property and discounting it at a yield of corresponding government bond.

(3) Increase and decrease in the total asset retirement obligations

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Balance at the beginning of the year	57,670	50,051
Increase due to acquisition of tangible assets	—	8,103
Adjustment due to passage of time	711	725
Decrease due to fulfillment of asset retirement obligations	(8,307)	(5,918)
Other increase (decrease)	(23)	(38)
Balance at the end of the year	50,051	52,923

(For investment and rental property)

The Company Group has rental property, such as commercial facilities in Mishima area in Shizuoka Prefecture.
The carrying amount, increase/decrease thereof and fair value of rental property are as follows.

(Thousands of yen)

			Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Commercial facilities	Carrying amount	Balance at the beginning of the year	15,792,895	15,476,022
		Increase (decrease) during the year	(316,873)	(355,341)
		Balance at the end of the year	15,476,022	15,120,680
	Fair value at the end of the year		18,861,000	18,827,000
Other	Carrying amount	Balance at the beginning of the year	378,396	373,407
		Increase (decrease) during the year	(4,988)	(8,954)
		Balance at the end of the year	373,407	364,453
	Fair value at the end of the year		402,087	431,766

Notes:
1. The carrying amount shown here is calculated by deducting the relevant accumulated depreciation from the property’s acquisition cost.
2. Of increase (decrease) during the year of Commercial facilities, major increase for the prior fiscal year is capital expenditure for “SUN TO MOON Kakitagawa” of ¥72,106 thousand, while major decrease is depreciation of ¥388,980 thousand.
   Major increase for the current fiscal year is capital expenditure for “SUN TO MOON Kakitagawa” of ¥10,369 thousand, while major decrease is depreciation of ¥365,711 thousand.
3. Of increase (decrease) during the year of Other, major decrease is depreciation of ¥4,988 thousand.
   Major decrease for the current fiscal year is impairment loss of ¥3,959 thousand and depreciation of ¥4,988 thousand.
4. The fair value of major properties at the end of the year was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers. The fair value of other properties was calculated internally based on “Real Estate Appraisal Standards”.

Profit or loss of rental property is as follows.

(Thousands of yen)

		Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Commercial facilities	Rent revenue	2,307,052	2,319,378
	Rent expense	1,346,639	1,292,894
	Difference	960,412	1,026,484
	Other (gain/loss on sale, etc.)	—	—
Other	Rent revenue	17,118	16,810
	Rent expense	8,474	9,088
	Difference	8,643	7,721
	Other (gain/loss on sale, etc.)	—	—

Note: Rent revenue and rent expense are rent revenue and corresponding expenses thereto (depreciation, taxes and dues, insurance fees, etc.), and are recorded as “net sales and “cost of sales,” respectively.

(Segment information, etc.)

Segment information

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors of the Company to make decision about resource allocation and to assess their performance.

The Group has Commercial Property Business Headquarters, Health Care Business Headquarters, Apparel Fashion & Uniform Business Headquarters, and Business Management Headquarters in the Company. Each Headquarters draws up domestic and overseas comprehensive sales strategies and conducts business activities in close cooperation with domestic and overseas consolidated subsidiaries.

The Group consists of segments classified according to products and services based on each of the Company's Business Headquarters. The "commercial property business," the "health care business" and the "textile and apparel business" constitute the three reportable segments of the Group.

The Group operates and manages commercial facilities and rents real estate in the "commercial property business." In the "health care business," the Group sells and manufactures beds and bedding. In the "textile and apparel business," the Group sells and manufactures apparel and uniforms, etc

2. Calculation method of net sales, profits or losses, assets and other items by reportable segments

The accounting method for the reportable segments is the same as those of "Significant matters that provide the basis for preparing the consolidated financial statements."

The reportable segment profits are based on operating income.

Inter-segment sales or transfers are based on market prices.

3. Net sales, profits or losses, assets and other items by reportable segments

Prior fiscal year (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Carrying amount (Note 2)
	Commercial property business	Health care business	Textile and apparel business	Total		
Net sales						
Sales to third parties	2,324,170	845,792	2,237,048	5,407,011	—	5,407,011
Inter-segment sales or transfers	456	—	546	1,002	(1,002)	—
Total	2,324,626	845,792	2,237,595	5,408,014	(1,002)	5,407,011
Segment profits (losses)	883,882	(10,408)	(49,499)	823,974	(445,173)	378,801
Segment assets	16,556,532	366,838	1,175,358	18,098,730	897,514	18,996,244
Other items						
Depreciation	411,383	1,813	377	413,574	6,296	419,871
Investment amounts to equity method companies	—	—	567,601	567,601	—	567,601
Increase amounts of fixed assets and intangible assets	91,952	—	12	91,965	3,478	95,443

Current fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Carrying amount (Note 2)
	Commercial property business	Health care business	Textile and apparel business	Total		
Net sales						
Sales to third parties	2,336,188	828,566	1,537,243	4,701,997	—	4,701,997
Inter-segment sales or transfers	456	—	1,203	1,659	(1,659)	—
Total	2,336,644	828,566	1,538,446	4,703,656	(1,659)	4,701,997
Segment profits (losses)	948,911	(37,055)	11,731	923,587	(506,518)	417,068
Segment assets	16,096,444	382,105	893,350	17,371,900	1,721,885	19,093,785
Other items						
Depreciation	393,752	149	64	393,966	11,351	405,317
Investment amounts to equity method companies	—	—	—	—	—	—
Increase amounts of fixed assets and intangible assets	10,369	1,570	107	12,047	33,264	45,311

Notes: 1 Details of the Adjustments are as follows:

(Thousands of yen)

Segment profits (losses)	Prior fiscal year	Current fiscal year
Corporate expense *	(445,173)	(506,518)

* Corporate expense comprises the general and administrative expenses not attributed to reportable segments.

(Thousands of yen)

Segment assets	Prior fiscal year	Current fiscal year
Corporate assets *	897,514	1,721,885

* Corporate assets mainly comprise cash and deposits not attributed to reportable segments.

(Thousands of yen)

Other items	Prior fiscal year	Current fiscal year
Depreciation	6,296	11,351
Increase amounts of fixed assets and intangible assets*	3,478	33,264

* Increase amounts of fixed assets and intangible assets are attributable to capital investments for the administrative division.

2 Segment profits are adjustment of operating income reported on the consolidated statement of income.

Related information

Prior fiscal year (From April 1, 2015 to March 31, 2016)

1. Information by product and service
   This information is not provided here because the same information is provided under “Segment information.”

2. Information by geographical area
   (1) Net sales
   This information is not provided because the sales to third parties in Japan exceed 90% of the net sales recorded in the consolidated statement of income.

   (2) Property, plant and equipment
   This information is not provided because the amount of property, plant and equipment which exist in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer
   There was no particular customer to whom sales account for 10% or more of the net sales recorded in the consolidated statement of income.

Current fiscal year (From April 1, 2016 to March 31, 2017)

1. Information by product and service

This information is not provided here because the same information is provided under “Segment information.”

2. Information by geographical area

(1) Net sales

This information is not provided because the sales to third parties in Japan exceed 90% of the net sales recorded in the consolidated statement of income.

(2) Property, plant and equipment

This information is not provided because the amount of property, plant and equipment which exist in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

There was no particular customer to whom sales account for 10% or more of the net sales recorded in the consolidated statement of income.

Information about the impairment loss on fixed assets by reportable segments

Prior fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable

Current fiscal year (From April 1, 2016 to March 31, 2017) (Thousands of yen)

	Reportable segments				Corporate・Elimination	Total
	Commercial property business	Health care business	Textile and apparel business	Total		
Impairment loss	3,959	—	—	3,959	—	3,959

Information about the amortization of goodwill and unamortized balance by reportable segments

Not applicable

Information about the gain recognized on negative goodwill by reportable segments

Not applicable

Information of related parties

Prior fiscal year (From April 1, 2015 to March 31, 2016)

Not applicable

Current fiscal year (From April 1, 2016 to March 31, 2017)

Not applicable

(Per share information)

(Yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Net assets per share	143.66	143.63
Basic earnings (loss) per share	4.17	5.21
Diluted earnings per share	—	5.21

Notes: 1. Diluted earnings per share for the prior fiscal year are not presented because the Company had no securities with dilutive effects.

2. The basis for calculation of the basic earnings per share and the diluted earnings per share is as follows.

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	124.831	156,079
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent relating to common stock (Thousands of yen)	124.831	156,079
Average number of shares of common stock during the fiscal year (Shares)	29,933,933	29,932,999
Diluted earnings per share		
Amount of profit attributable to owners of parent adjustment (Thousands of yen)	—	—
Increase in number of common shares	—	3,800
(Stock acquisition rights (number of shares))	—	(3,800)
Potential shares not included in the calculation of diluted earnings per share because they have no dilutive effects		—

(Significant subsequent events)

Not applicable

5) Consolidated supplemental schedules

Schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Thousands of yen)	Balance at the end of current fiscal year (Thousands of yen)	Interest rate (%)	Collateral	Maturity
The Company	3rd unsecured bonds	February 5, 2015	300,000	—	0.3	Unsecured bonds	February 5, 2018
The Company	4th unsecured bonds	June 30, 2015	250,500	—	0.4	Unsecured bonds	June 29, 2018
The Company	5th unsecured bonds	September 17, 2015	315,000	—	0.2	Unsecured bonds	September 17, 2020
Total	—	—	865,500	—	—	—	—

Notes: The above bonds were redeemed on June 30, 2016, prior to maturity.

Schedule of loans payable

(Thousands of yen)

Category	Balance at the beginning of current fiscal year	Balance at the end of current fiscal year	Average interest rate (%)	Maturity
Short-term loans payable	540,000	—	2.5	—
Current portion of long-term loans payable (Note 3)	2,628,584	338,400	1.3	—
Current portion of lease obligations (Note 4)	26,359	26,359	—	—
Long-term loans payable (excluding current portion)	4,495,106	8,807,800	1.3	2018 to 2021
Lease obligations (excluding current portion)	178,542	152,183	—	2018 to 2024
Other interest-bearing debt				
Current portion of guarantee deposits received	60,200	—	2.0	—
Guarantee deposits received (due after one year) (Note 5)	340,725	—	2.0	—
Total	8,269,517	9,324,742	—	—

Notes: 1 The average interest rate represents the weighted-average rate applicable to the year-end balance.
2 Average interest rate of lease obligations is not recorded because the amount equivalent to interest included in total lease amount is allocated equally to each consolidated fiscal year using the straight-line method.
3 “Current portion of long-term loans payable” is included in “short-term loans payable” in the consolidated balance sheet.
4 “Current portion of lease obligations” is included in “Other” under current liabilities in the consolidated balance sheet.
5 In addition to the figures shown above, there are interest-free guarantee deposits received (due after one year) in the amount of ¥1,885,440 thousand as of the beginning of the current fiscal year and ¥1,755,888 thousand at the end of the current fiscal year.
6 The following table shows the aggregate annual maturities of long-term loans payable and lease obligations for 5 years subsequent to March 31, 2017.

(Thousands of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	338,400	338,400	8,131,000	—
Lease obligations	25,526	22,296	21,845	21,845

Schedule of asset retirement obligations

The schedule of asset retirement obligations is not provided because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2017 were less than one hundredth (1%) of the amounts of total liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2017.

(2) Other

Quarterly financial information for the fiscal year ended March 31, 2016

(Thousands of yen)

Cumulative period	1st Quarter (Three months ended June 30, 2016)	2nd Quarter (Six months ended September 30, 2016)	3rd Quarter (Nine months ended December 31, 2016)	4th Quarter (Fiscal year ended March 31, 2017)
Net sales	1,141,365	2,278,141	3,388,333	4,701,997
Profit before income taxes	52,718	95,615	198,629	148,111
Profit attributable to owners of parent	31,692	63,368	159,535	156,079
Basic earnings per share (Yen)	1.06	2.12	5.33	5.21

Each quarter	1st Quarter (From April 1, 2016 to June 30, 2016)	2nd Quarter (From July 1, 2016 to September 30, 2016)	3rd Quarter (From October 1, 2016 to December 31, 2016)	4th Quarter (From January 1, 2017 to March 31, 2017)
Basic earnings (loss) per share (Yen)	1.06	1.06	3.21	(0.12)

2. Non-Consolidated Financial Statements

(1) Non-Consolidated financial statements

1) Non-consolidated balance sheet

(Thousands of yen)

		Prior fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)
Assets				
Current assets				
Cash and deposits	*1	266,674		1,079,584
Notes receivable-trade		104,341		100,455
Accounts receivable-trade	*3	374,273	*3	276,398
Inventories	*2	413,515	*2	452,395
Deferred tax assets		—		58,111
Other	*3	107,165	*3	316,735
Allowance for doubtful accounts		—		(1,110)
Total current assets		1,265,970		2,282,570
Non-current assets				
Property, plant and equipment				
Buildings and Structures	*1	6,491,478	*1	6,168,371
Land	*1	9,553,528	*1	9,549,562
Leased assets		196,050		171,017
Others		29,435		28,968
Total property, plant and equipment		16,270,492		15,917,920
Intangible assets				
Other		12,594		9,053
Total intangible assets		12,594		9,053
Investments and other assets				
Investment securities	*1	228,257		243,368
Shares of subsidiaries and associates		66,656		66,656
Investments in capital of subsidiaries and associates		436,987		37,973
Long-term loans receivable from subsidiaries and associates	*3	204,107	*3	208,982
Claims provable in bankruptcy, claims provable in rehabilitation and other		101,243		90,173
Other		223,864		72,887
Allowance for doubtful accounts		(286,083)		(276,132)
Total investments and other assets		975,034		443,908
Total non-current assets		17,258,121		16,370,882
Total assets		18,524,091		18,653,452

(Thousands of yen)

		Prior fiscal year (As of March 31, 2016)		Current fiscal year (As of March 31, 2017)
Liabilities				
Current liabilities				
Notes payable-trade		152,917		148,423
Accounts payable-trade	*3	253,152	*3	208,695
Short-term loans payable	*1	3,168,584	*1	338,400
Current portion of bonds	*1	169,000		—
Income taxes payable		3,379		20,349
Provision for bonuses		23,490		24,570
Provision for shareholder benefits		—		16,338
Other	*1, *3	370,592	*1, *3	312,175
Total current liabilities		4,141,116		1,068,952
Non-current liabilities				
Bonds payable	*1	696,500		—
Long-term loans payable	*1	4,495,106	*1	8,807,800
Lease obligations		178,542		152,183
Long-term guarantee deposited	*1, *3	2,247,503	*1, *3	1,760,730
Deferred tax liabilities		3,194		1,077
Deferred tax liabilities for land revaluation		2,212,849		2,211,637
Provision for retirement benefits		231,837		243,953
Asset retirement obligations		36,870		45,699
Other		29,681		—
Total non-current liabilities		10,132,085		13,223,081
Total liabilities		14,273,201		14,292,033
Net assets				
Shareholders' equity				
Capital stock		1,500,000		1,500,000
Capital surplus				
Legal capital surplus		503,270		503,270
Other capital surplus		104		104
Total capital surplus		503,375		503,375
Retained earnings				
Legal retained earnings		375,000		375,000
Other retained earnings				
Retained earnings brought forward		(3,087,462)		(2,995,536)
Total retained earnings		(2,712,462)		(2,620,536)
Treasury shares		(7,033)		(7,138)
Total shareholders' equity		(716,119)		(624,299)
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		(23,462)		(8,352)
Deferred gains or losses on hedges		(484)		445
Revaluation reserve for land		4,990,956		4,993,002
Total valuation and translation adjustments		4,967,009		4,985,095
Stock acquisition rights		—		622
Total net assets		4,250,889		4,361,418
Total liabilities and net assets		18,524,091		18,653,452

2) Non-consolidated statement of income

(Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)		Current fiscal year (From April 1, 2016 to March 31, 2017)	
Net sales	*1	4,265,457	*1	3,705,812
Cost of sales	*1	3,081,881	*1	2,525,277
Gross profit		1,183,575		1,180,535
Selling, general and administrative expenses	*1,*2	806,493	*1,*2	813,503
Operating income		377,082		367,031
Non-operating income				
Interest income	*1	5,903	*1	1,194
Dividends income		7,737		5,586
Gain on sales of investments in capital		11,539		—
Other		6,581		2,594
Total non-operating income		31,761		9,375
Non-operating expenses				
Interest expenses		248,849		123,640
Other		121,462		99,265
Total non-operating expenses		370,311		222,906
Ordinary income		38,532		153,501
Extraordinary income				
Reversal of allowance for doubtful accounts		204,067		—
Gain on sales of investments in capital		—		109,743
Total extraordinary income		204,067		109,743
Extraordinary loss				
Loss on sales of Investments in capital of subsidiaries and associates		—		81,150
Reimbursement of prepayment		—		107,257
Total extraordinary loss		—		188,408
Profit (loss) before income taxes		242,600		74,836
Income taxes-current		4,772		42,504
Income taxes-deferred		(610)		(61,639)
Total income taxes		4,161		(19,135)
Profit (loss) attributable to owners of parent		238,438		93,971

Schedule of cost of sales

		Prior fiscal year (From April 1, 2015 to March 31, 2016)			Current fiscal year (From April 1, 2016 to March 31, 2017)		
Category	No. in Notes	Amount (Thousands of yen)		Composition ratio (%)	Amount (Thousands of yen)		Composition ratio (%)
1 Cost of goods sold							
Beginning goods		467,401			413,515		
Cost of purchased goods		2,434,410			1,993,584		
Total		2,901,811			2,407,099		
Transfer to other account	*1	3,594			8,803		
Ending goods		413,515	2,484,702	80.6	452,395	1,945,900	77.1
2 Rent cost and service cost							
Taxes and dues	*2	153,135			152,502		
Depreciation		405,987			384,059		
Other cost		38,055	597,179	19.4	42,814	579,376	22.9
Total cost of sales			3,081,881	100.0		2,525,277	100.0

(Note)

1 Transfer to other account is the value of in-house consumption of product samples, etc.

2 Taxes and dues are mainly comprised of fixed asset tax.

3) Non-consolidated statement of changes in equity

Prior fiscal year (From April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(3,325,900)	(2,950,900)	(7,012)	(954,537)
Changes of items during period									
Profit						238,438	238,438		238,438
Purchase of treasury shares								(21)	(21)
Reversal of revaluation reserve for land									—
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	238,438	238,438	(21)	238,417
Balance at end of current period	1,500,000	503,270	104	503,375	375,000	(3,087,462)	(2,712,462)	(7,033)	(716,119)

	Valuation and translation adjustments				Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	26,078	(648)	4,869,546	4,894,976	—	3,940,439
Changes of items during period						
Profit (loss)						238,438
Purchase of treasury shares						(21)
Reversal of revaluation reserve for land						—
Net changes of items other than shareholders' equity	(49,541)	163	121,410	72,032	—	72,032
Total changes of items during period	(49,541)	163	121,410	72,032	—	310,450
Balance at end of current period	(23,462)	(484)	4,990,956	4,967,009	—	4,250,889

Current fiscal year (From April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(3,087,462)	(2,712,462)	(7,033)	(716,119)
Changes of items during period									
Profit						93,971	93,971		93,971
Purchase of treasury shares								(104)	(104)
Reversal of revaluation reserve for land						(2,046)	(2,046)		(2,046)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	91,925	91,925	(104)	91,820
Balance at end of current period	1,500,000	503,270	104	503,375	375,000	(2,995,536)	(2,620,536)	(7,138)	(624,299)

	Valuation and translation adjustments				Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	(23,462)	(484)	4,990,956	4,967,009	—	4,250,889
Changes of items during period						
Profit (loss)						93,971
Purchase of treasury shares						(104)
Reversal of revaluation reserve for land						(2,046)
Net changes of items other than shareholders' equity	15,110	929	2,046	18,086	622	18,708
Total changes of items during period	15,110	929	2,046	18,086	622	110,529
Balance at end of current period	(8,352)	445	4,993,002	4,985,095	622	4,361,418

[Notes to Non-consolidated Financial Statements]
(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and affiliates
Cost method by the moving-average method

(2) Other securities
Those with market value:
Market value method based on the market price, etc. as of the fiscal closing date (the valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)
Those without market value:
Cost method by the moving-average method

2. Valuation standards for derivative financial instruments
Market value method

3. Valuation standards and methods for inventories
Stated at cost determined by the gross average method (carrying amount is written down book value due to decreased profitability).

4. Depreciation and amortization of fixed assets
(1) Property, plant and equipment (excluding leased assets)
Operating leased assets and the related assets thereto are depreciated mainly using the straight-line method, and some of which are depreciated using the declining-balance method. Other property, plant and equipment are depreciated using the declining-balance method.
All the buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 are depreciated using the straight-line method.
Major useful lives are as follows:
Buildings and structures: 3-47 years
(2) Intangible fixed assets (excluding leased assets)
Straight-line method
Software (for internal use) is amortized over the internally estimated useful lives (5 years).
(3) Leased assets
Leased assets related to finance lease transactions which do not transfer ownerships to the lessee
Leased assets are depreciated over the lease terms as useful lives, using the straight-line method without any residual value. However, for lease transactions with residual value guarantees, the residual value equivalent is the residual value guarantee amount.

5. Translation of foreign currency denominated assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect on the last day of the period, and differences arising from the translation are charged or credited to income.

6. Basis for reserves

(1) Allowance for doubtful accounts
In order to prepare for possible credit losses on receivables, the Company and its subsidiaries record the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables.
(2) Provision for bonuses
In order to prepare for payments of bonuses to the employees, the estimated payable amount to be paid in this fiscal year is recorded as provision for bonuses.
(3) Provision for shareholder benefits
In order to prepare for future expenses for the shareholder benefit program, the estimated spending amount is recorded as provision for shareholder benefits.
(4) Provision for retirement benefits
Provision for retirement benefits are recorded at an amount calculated based on the retirement benefit obligation at the end of the current fiscal year.
In calculating net defined benefit liability, the Company adopts the simplified method whereby the benefit obligation is deemed to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end

7. Hedge accounting
(1) Hedge accounting
Deferred hedge accounting is applied for derivative instruments.
Appropriation treatment is applied for forward exchange contracts which are qualified for such treatment.
Special treatment is applied for interest rate swaps which are qualified for such treatment.

(2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swaps Forward exchange contracts	Long-term loans payable Receivables and payables denominated in foreign currencies and others Forecasted transactions denominated in foreign currencies

(3) Hedging policy

Derivative transactions regarding currency and interest rate are used to mitigate risks associated with foreign currency exchange and interest rate fluctuations and to reduce fund-raising costs.

(4) Assessment of hedge effectiveness

The hedge effectiveness is assessed semi-annually based on the correlation between the change in aggregated amount of cash flow of the hedged items and the change in aggregated amount of cash flow of the hedging instruments. However, for forward exchange contracts, the determination of effectiveness is omitted because the important conditions concerning the hedging instrument and the assets and liabilities of the hedged item or the forecast transaction are the same. Assessment of hedge effectiveness is omitted for interest rate swaps that are qualified for special treatment.

8. Other significant matters for preparation of the non-consolidated financial statements

Accounting for the consumption taxes

Transactions subject to the consumption taxes are recorded at amounts exclusive of the consumption taxes.

(Changes in accounting policies)

In line with the revisions to the Corporation Tax Act of Japan, the Company applied “Practical Solution on a change in depreciation method due to Tax Reform 2016 (Practical Issues Task Force (PITF) No. 32, June 17, 2016)” in the fiscal year ended March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

(Changes in presentation)

(Changes in presentation concerning the application of Article 127 of the Regulations on Non-Consolidated Financial Statements in line with simplification of non-consolidated statements and exemption of notes)

The non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, schedule of fixed assets and detailed schedule of allowances have been prepared in accordance with the Article 127, Paragraph 1, of the Regulations on Non-Consolidated Financial Statements.

Notes listed in Article 127, Paragraph 2, of the Regulations on Non-Consolidated Financial Statements, have been changed to notes provided in the Rules of Corporate Accounting.

(Additional information)

The Company applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

(For non-consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Cash and deposits (deposits)	80,000	—
Buildings and structures	6,437,667	6,122,095
Land	9,527,097	9,154,474
Investment securities	128,620	—
Total	16,173,385	15,276,570

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Short-term loans payable	3,160,225	338,400
Current portion of bonds	169,000	—
Other current liabilities (current portion of guarantee deposits received)	88,833	61,436
Bonds payable	696,500	—
Long-term loans payable	4,495,106	8,807,800
Long-term guarantee deposited	803,967	742,530
Total	9,413,631	9,950,167

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Merchandise	413,515	452,395

*3 Credits and debits to subsidiaries and associates

Items included in each account other than those listed separately are as follows: (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Short-term credits	16,055	15,763
Long-term credits	204,107	208,982
Short-term debits	163,961	87,229
Long-term debits	1,394,224	999,182

4 Discounted notes receivables (Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Discounted notes receivables	44,878	10,000

5 Financial restraint clauses

The following financial restraint clauses are set for loans payable (syndicated loan contracts concluded on March 31, 2016, and on June 8, 2016).

i) For the fiscal year ended March 31, 2016 and thereafter, the amount of net assets presented on consolidated balance sheet at the end of accounting period of each fiscal year shall be maintained at 75% or more of the amount of net assets presented on consolidated balance sheet at the end of the fiscal year ended March 31, 2015.

ii) For the two consecutive fiscal years with the fiscal year ended March 31, 2016 or thereafter being the first accounting period, ordinary income (loss) presented in the consolidated statement of income for the accounting period of each fiscal year shall not be loss for two consecutive fiscal years. The first determination whether this item has been satisfied shall be made on the accounting for the fiscal year ended March 31, 2017 and for the immediately preceding fiscal year.

(For non-consolidated statements of income)

*1 Transactions with subsidiaries and affiliates (Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Balance of operating transactions		
Net sales	1,283,101	1,232,716
Cost of sales	140,247	129,063
Balance of non-operating transactions	15,190	8,428

*2 Ratio of expenses under selling expenses is 40% and 37% for the prior fiscal year and current fiscal year, respectively. Ratio of expenses under general and administrative expenses is 60% and 63% for the prior fiscal year and current fiscal year, respectively.

Major components of selling, general and administrative expenses are as follows. (Thousands of yen)

	Prior fiscal year (From April 1, 2015 to March 31, 2016)	Current fiscal year (From April 1, 2016 to March 31, 2017)
Salaries	274,341	263,635
Provision for bonuses	23,490	24,570
Retirement benefit expenses	27,205	13,247
Depreciation	7,112	12,255
Provision of allowance for doubtful accounts	15,720	(6,521)
Provision for shareholder benefits	—	16,338

(For securities)

The fair values of shares of subsidiaries and affiliates are not presented, as they do not have a market value and deemed difficult to measure the fair value.

The amounts of shares of subsidiaries and affiliates recorded in the non-consolidated balance sheet for which it is deemed difficult to measure the fair value are as follows.

(Thousands of yen)

Category	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Subsidiaries' shares	30,000	30,000
Affiliates' shares	36,656	36,656
Investments in capital of subsidiaries and associates	436,987	37,973
Total	503,643	104,629

(For tax-effect accounting)

1. Significant components of deferred tax assets and liabilities
   (1) Current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Deferred tax assets:		
Loss on valuation of inventories	25,103	24,274
Provision for bonuses	7,249	7,582
Net operating loss brought forward	—	41,179
Other	3,715	16,213
Total gross deferred tax assets	36,068	89,249
Valuation allowance	(36,068)	(30,939)
Net deferred tax assets	—	58,310
Deferred tax liabilities:		
Deferred gains or losses on hedges	—	(198)
Total gross deferred tax liabilities	—	(198)
Net deferred tax assets	—	58,111

   (2) Non-current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Deferred tax assets:		
Loss on valuation of shares of subsidiaries and associates	3,061	3,062
Impairment loss	39,340	36,780
Allowance for doubtful accounts	87,598	84,891
Provision for retirement benefits	70,988	74,728
Net operating loss brought forward	944,421	879,573
Valuation difference on available-for-sale securities	7,184	2,557
Other	11,320	14,214
Total gross deferred tax assets	1,163,915	1,095,808
Valuation allowance	(1,163,915)	(1,091,892)
Net deferred tax assets	—	3,915
Deferred tax liabilities:		
Property, plant and equipment (asset retirement expense)	(3,194)	(4,993)
Total gross deferred tax liabilities	(3,194)	(4,993)
Net deferred tax liabilities	(3,194)	(1,077)
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,212,849)	(2,211,637)

2. The reconciliation between the effective tax rates reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

	Prior fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
Statutory tax rate	33.1%	30.9%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	4.1%	12.3%
Foreign withholding tax	—%	29.1%
Inhabitant tax on per capita basis	2.0%	6.4%
Change in valuation allowance	(37.5%)	(105.6%)
Other	0.0%	1.3%
Effective tax rates after adoption of tax-effect accounting	1.7%	(25.6%)

(Significant subsequent events)

Not applicable

4) Non-consolidated supplemental schedules

Schedule of fixed assets

(Thousands of yen)

Type of assets	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation or amortization at the end of the current fiscal year
Property, plant and equipment						
Buildings	6,355,046	28,325	—	324,807	6,058,564	6,032,423
Structures	136,432	2,993	—	29,618	109,807	809,423
Machinery and equipment	4,202	—	—	—	4,202	79,842
Tools, furniture and fixtures	25,233	12,315	—	12,782	24,765	311,521
Land	9,553,528 [7,203,805]	—	3,966 (3,959) [(833)]	—	9,549,562 [7,204,639]	—
Leased assets	196,050	—	—	25,032	171,017	147,677
Total property, plant and equipment	16,270,492 [7,203,805]	43,634	3,966 (3,959) [(833)]	392,241	15,917,920 [7,204,639]	7,380,887
Intangible assets						
Software	10,725	—	—	3,245	7,479	13,852
Other	1,869	—	—	295	1,574	2,354
Total intangible assets	12,594	—	—	3,540	9,053	16,207

Notes: 1. The increase in buildings in the current fiscal year is primarily due to interior decoration associated with the relocation of the Company's headquarters.
2. The increase in tools, furniture and fixtures in the current fiscal year is primarily due to fixture purchases associated with the relocation of the Company's headquarters.
3. The decrease in land in the current fiscal year is primarily due to impairment losses on idle assets. Of the decrease, the amount in parentheses is the amount recorded as impairment loss.
4. The amount in parentheses in land represents the amount of revaluated reserve for land for business use in accordance with "Act on Revaluation of Land" (Act No. 34 promulgated on March 31, 1998).

Detailed schedule of allowances

(Thousands of yen)

Category	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year (Amount used for each purpose)	Decrease in the current fiscal year (Other)	Balance at the end of the current fiscal year
Allowance for doubtful accounts	286,083	1,110	2,318	7,631	277,242
Provision for bonuses	23,490	24,570	23,490	—	24,570
Provision for shareholder benefits	—	16,338	—	—	16,338

Note: The amount of Allowance for doubtful accounts in the "Decrease in the current fiscal year (Other)" column is reversal amount by collection of receivables.

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable

6. Information on Transfer and Repurchase of the Company's Stock

Fiscal year	From April 1 to March 31
General Meeting of Shareholders	June
Record date for dividend	March 31
Record dates for dividend of surplus	September 30 and March 31
Number of shares per unit of the Company's stock	1,000 shares
Repurchase of stocks of less than a standard unit	
Address where repurchases are processed	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited.
Administrator of shareholders' register	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited.
Offices available for repurchase	—
Charges for repurchase	No charge
Method of public notice	Public notices by the Company shall be done by electronic means; however, in the event that accidents or other unavoidable reasons prevent public notice by electronic means, the notice will be posted in the *The Nikkei*. URL for public notice http://www.daitobo.co.jp/
Special benefits to shareholders	(1) Shareholders who are recorded or registered on the list of shareholders as of March 31 of each year, who were recorded or registered on the list of shareholders as of September 30 of the previous year with the same shareholder number and have continued to hold shares of the Company for at least six months but less than one year, are eligible to receive QUO cards as follows, according to the number of shares held. 1,000 shares or more but fewer than 2,000 shares Cards worth 2,000 yen 2,000 shares or more Cards worth 4,000 yen (2) Shareholders who are recorded or registered on the list of shareholders as of March 31 of each year and who continued to be recorded or registered on the list of shareholders as of March 31 of the previous year with the same shareholder number are eligible to receive QUO cards as follows, according to the number of shares held. 1,000 shares or more but fewer than 2,000 shares Cards worth 3,000 yen 2,000 shares or more Cards worth 5,000 yen

Note: According to the Company's Articles of Incorporation, shareholders who hold shares of less than a standard unit are not entitled to exercise the rights other than the rights stipulated in each item of Article 189, Paragraph 2, of the Companies Act; the right to make a claim in accordance with Article 166, Paragraph 1, of the Companies Act; the right to subscribe for new shares or new share subscription rights in proportion to the number of the shares owned by said shareholder; and the right to request sale of stocks of less than a standard unit.

7. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

The Company has no parent company or equivalent as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Law.

2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended March 31, 2016 and the date when this Securities Report *(Yukashoken-Hokokusho)* was filed.

(1) Securities Report and Accompanying Documents and Confirmation Note
The 196th Fiscal Year (from April 1, 2015 to March 31, 2016)
Submitted to the Director of the Kanto Local Finance Bureau on June 24, 2016.

(2) Internal Control Report and Accompanying Documents
Submitted to the Director of the Kanto Local Finance Bureau on June 24, 2016.

(3) Quarterly Securities Reports and Confirmation Notes
The 1st Quarter of 197th Fiscal Year (from April 1, 2016 to June 30, 2016)
Submitted to the Director of the Kanto Local Finance Bureau on August 10, 2016.
The 2nd Quarter of 197th Fiscal Year (from July 1, 2016 to September 30, 2016)
Submitted to the Director of the Kanto Local Finance Bureau on November 10, 2016.
The 3rd Quarter of 197th Fiscal Year (from October 1, 2016 to December 31, 2016)
Submitted to the Director of the Kanto Local Finance Bureau on February 8, 2017.

(4) Extraordinary Report
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at the general meetings of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director of the Kanto Local Finance Bureau on June 27, 2016.

Part II Information on Guarantors for the Company

Not applicable

Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS: Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

(filed under the Financial Instruments and Exchange Act of Japan)

June 27, 2017

To the Board of Directors of
Daitobo Co., Ltd

BDO Toyo & Co.

Designated Employee,
Engagement Partner,
Certified Public Accountant: Takeshi Tanaka

Designated Employee,
Engagement Partner,
Certified Public Accountant: Hirokazu Osada

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Information, namely, the consolidated balance sheet as of March 31, 2017 of Daitobo Co., Ltd. (the "Company") and its consolidated subsidiaries, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2016 to March 31, 2017, including the significant matters that provide the basis for preparing the consolidated financial statements, the other related notes, and the consolidated supplemental schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daitobo Co., Ltd. and consolidated subsidiaries as of March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters

The Company's consolidated statements for the prior fiscal year ended March 31, 2016, were audited by its previous auditor. The previous auditor expressed an unqualified opinion on the consolidated statements as of June 24, 2016.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2017.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent position. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures are selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2017 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditors' Report on Financial Statements and Internal Controls, which is in the custody of the Company—the submitter of this Securities Report.
2. The XBRL data is not included in the range of Audit.

(For Translation Purposes Only)

INDEPENDENT AUDITOR'S REPORT

June 27, 2017

To the Board of Directors of
Daitobo Co., Ltd.

BDO Toyo & Co.

Designated Employee,
Engagement Partner,
Certified Public Accountant: Takeshi Tanaka

Designated Employee,
Engagement Partner,
Certified Public Accountant: Hirokazu Osada

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Daitobo Co., Ltd. (the "Company") for the 197th fiscal year from April 1, 2016 to March 31, 2017, included in the Financial Information, namely, the non-consolidated balance sheet and the non-consolidated statements of income, changes in equity and cash flows, including the significant accounting policies, the other related notes, and the non-consolidated supplemental schedules.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures are selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Daitobo Co., Ltd. as of March 31, 2017, and its financial performance for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Other Matters

The Company's non-consolidated statements for the prior fiscal year ended March 31, 2016, were audited by its previous auditor. The previous auditor expressed an unqualified opinion on the non-consolidated statements as of June 24, 2016.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Notes:
1. The above is a digitization of the text contained in the original copy of the Independent Auditors' Report on Financial Statements and Internal Controls, which is in the custody of the Company—the submitter of this Securities Report.
2. The XBRL data is not included in the range of Audit.