Financial Information as of March 31, 2018

(The English translation of the
"Yukashoken-Houkokusho" for
the year ended March 31, 2018)

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, 2018
【Business Year】	198th Fiscal Year (From April 1, 2017 to March 31, 2018)
【Company Name】	Daitobo Kabushiki Kaisha
【Company Name (in English)】	Daitobo Co., Ltd.
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【Place Where Documents are Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabuto-cho, 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		194th	195th	196th	197th	198th
Year ended		March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net sales	Thousands of yen	7,548,836	5,937,473	5,407,011	4,701,997	4,427,778
Ordinary income (loss)	Thousands of yen	77,905	(519,849)	74,797	267,602	153,946
Profit (loss) attributable to owners of parent	Thousands of yen	27,966	(644,117)	124,831	156,079	103,788
Comprehensive income	Thousands of yen	239,767	(279,051)	149,864	28,755	117,773
Net assets	Thousands of yen	4,429,546	4,150,472	4,300,315	4,329,588	4,450,935
Total assets	Thousands of yen	20,778,686	20,405,300	18,996,244	19,093,785	18,888,855
Net assets per share	Yen	147.98	138.65	143.66	144.63	148.56
Basic earnings (loss) per share	Yen	0.93	(21.52)	4.17	5.21	3.47
Diluted earnings per share	Yen	—	—	—	5.21	3.46
Equity ratio	%	21.3	20.3	22.6	22.7	23.5
Rate of return on equity	%	0.6	(15.0)	3.0	3.6	2.4
Price earnings ratio	Times	78.5	(3.4)	14.4	14.0	30.5
Cash flows from operating activities	Thousands of yen	308,124	92,427	(229,557)	528,592	559,135
Cash flows from investing activities	Thousands of yen	(408,051)	(127,119)	50,264	343,770	(86,777)
Cash flows from financing activities	Thousands of yen	54,863	(27,045)	(52,686)	109,641	(363,993)
Cash and cash equivalents at end of the period	Thousands of yen	978,786	919,966	687,297	1,668,446	1,777,319
Employees (the average number of part-time employees not included)	Persons	105 (447)	102 (70)	101 (35)	101 (7)	103 (4)

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 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		194th	195th	196th	197th	198th
Year ended		March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net sales	Thousands of yen	4,450,019	5,075,136	4,265,457	3,705,812	3,453,186
Ordinary income (loss)	Thousands of yen	43,520	(755,331)	38,532	153,501	128,637
Profit (loss)	Thousands of yen	13,907	(769,940)	238,438	93,971	83,616
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	4,448,619	3,940,439	4,250,889	4,361,418	4,461,515
Total assets	Thousands of yen	20,279,933	19,139,378	18,524,091	18,653,452	18,480,826
Net assets per share	Yen	148.61	131.64	142.01	145.69	148.92
Cash dividends per share (Interim cash dividends included herein)	Yen	— (—)	— (—)	— (—)	— (—)	— (—)
Basic earnings (loss) per share	Yen	0.46	(25.72)	7.97	3.14	2.79
Diluted earnings per share	Yen	—	—	—	3.14	2.79
Equity ratio	%	21.9	20.6	22.9	23.4	24.1
Rate of return on equity	%	0.3	(18.4)	5.8	2.2	1.9
Price earnings ratio	Times	158.7	(2.8)	7.5	23.2	38.0
Dividend payout ratio	%	—	—	—	—	—
Employees (the average number of part-time employees not included)	Persons	51 (11)	46 (9)	51 (5)	50 (4)	49 (2)

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 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.
October 2017	Changed the standard unit from 1,000 shares to 100 shares

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.

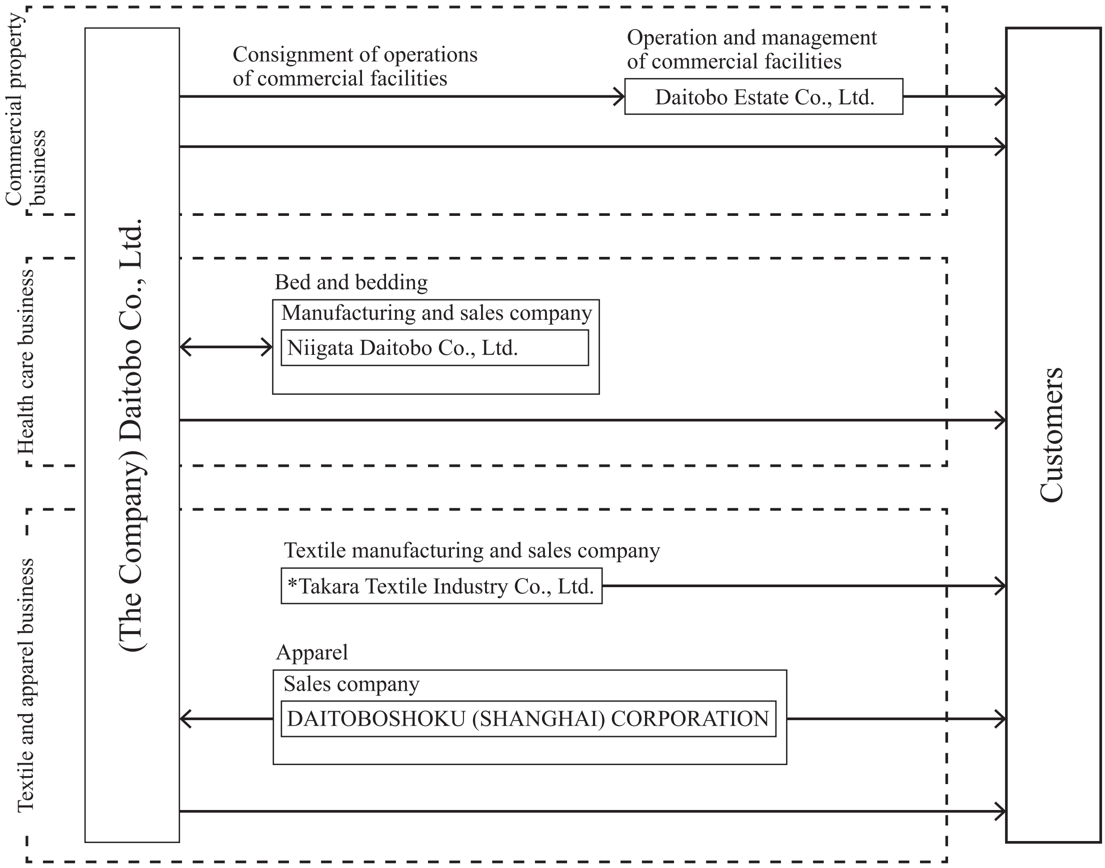
The Group outsources certain processing operations.

(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	¥ 2,056,663 thousand
2) Ordinary income	¥ 13,255 thousand
3) Profit	¥8,892 thousand
4) Net assets	¥ 214,479 thousand
5) Total assets	¥ 1,610,337 thousand

5. Employees

(1) Consolidated companies

(As of March 31, 2018)

Name of segment	Number of employees
Commercial property business	32 (—)
Health care business	34 (3)
Textile and apparel business	17 (—)
Subtotal of reportable segments	83 (3)
Corporate (common)	20 (1)
Total	103 (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, 2018, 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, 2018)

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)
49 (2)	45.3	16.0	5,351

Name of segment	Number of employees
Commercial property business	3 (—)
Health care business	12 (1)
Textile and apparel business	14 (—)
Subtotal of reportable segments	29 (1)
Corporate (common)	20 (1)
Total	49 (2)

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, 2018, 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 Management policy, business environment, issues 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

On the back of our history of over 120 years and tradition, we will challenge toward infinite potential by leveraging creative insight based on our corporate philosophy of fostering a spirit of enterprise and of social contribution by helping others through self-help. Accordingly, we will realize sustainable growth and mid- to long-term improvement in corporate value, and furthermore become a company that is helpful to society, environmentally friendly, and values smiles of people, thereby contributing to creation of a better future of Japan.

(2) Target financial indicators

In the "Get Ahead of the Future" Mid-term Management Policy launched in April 2018, we are aiming at "operating income ratio of 9% or above", "ROE of 5% or above" and "net debt-to-equity ratio (Net DER) of 155% or below" for the target financial indicators for the fiscal year ending in March 2023.

(3) Mid- to long-term management strategy

The Group launched the "Get Ahead of the Future" Mid-term Management Policy in April 2018 to push forward with pillar strategies of: propriety initiatives aimed at investment for growth, and maintenance and renewal investment; expansion of business scale and enhancement of profitability; strengthening financial management and resuming a dividend; securing and developing human resources; and thorough implementation of management consistent with Japan's 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 thanks to an accommodative financial environment and government economic measures. However, it is necessary to continuously pay adequate attention to the situation as the global political and economic trends, including those in the Korean Peninsula, are expected to remain uncertain.

Under these circumstances, the Company will promote various measures based on the "Get Ahead of the Future" Mid-term Management Policy launched in April 2018.

1) Priority initiatives aimed at investment for growth, and maintenance and renewal investment

We will give top priority to continued investments in the commercial property business, our major revenue driver. Specifically, we will embark on expansion of floor space and renovation of the SUN TO MOON Kakitagawa (the 4th stage development) by the end of 2018.

2) Expansion of business scale and enhancement of profitability

We will ensure expansion of business size and improvement of profitability as the Group by focusing investment of management resources to the commercial property business, our major revenue driver. When expanding the business size, we will strongly recognize such concepts as environmental, social and governance (ESG) and creation of economic and social values. In addition, in promoting business, we will further enhance collaborative initiatives with business partners with whom we have already formed capital and business alliances to firmly grasp business chances at hand, while making the most of the Company's originality. At the same time, in preparation for the future, we will also work on creation of new businesses that take into account synergies with each business of the Group, including the commercial property business.

3) Strengthening financial management and resuming a dividend

In order to achieve sustainable growth and mid- to long-term improvement in corporate value, ensuring financial soundness is a major prerequisite. Going forward, we will strive to strengthen financial management based on key themes, i.e., securing free cash flows and reduction of interest-bearing debt. Through these efforts, we aim to set a target on the resumption of dividends during the period of the Mid-term Management Policy.

4) Securing and developing human resources

We will work to ensure and develop human resources by promoting efforts for work style reform and creation of environment in which women can play active roles.

5) Thorough implementation of management consistent with Japan's corporate governance code

To ensure sustainable growth and mid- to long-term improvement in corporate value, the Group will strive to maintain and enhance our corporate governance structure as well as promote responses to social issues through our business activities.

Through the measures described above, on the back of our history of over 120 years and tradition, the Group will challenge toward infinite potential by leveraging creative insight based on our corporate philosophy of fostering a spirit of enterprise and of social contribution by helping others through self-help. We are determined to further improve corporate value by pushing forward with the "Get Ahead of the Future" Mid-term Management Policy, with all executives and employees of the Group doing their utmost.

(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

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, the dissolution in 2015 of a subsidiary engaged in sales of men's wear due in part to aggravation of the business environment, and the complete withdrawal in 2017 from the men's suit manufacturing plant established in a Chinese joint venture.

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 1989 and 1990 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 is now proceeding with the management strategy based on the "Get Ahead of the Future" Mid-term Management Policy and will properly carry out shareholders' return after giving priority to growth investment premised on financial soundness and securing of human resources.

In the "Get Ahead of the Future" Mid-term Management Policy, we will give top priority to continued investments in the commercial property business, our major revenue driver, as part of preferential measures aimed at investments for growth as well as maintenance and renewal investment. Specifically, we will embark on expansion of floor space and renovation of the SUN TO MOON Kakitagawa by the end of 2018, targeting completion in the summer of 2019.

Also, we will ensure expansion of business size and improvement of profitability as the Group by focusing investment of management resources to the commercial property business, our major revenue driver.

Furthermore, in promoting business, we will further enhance collaborative initiatives with business partners with whom we have already formed capital and business alliances to firmly grasp business chances at hand, while making the most of the Company's originality. At the same time, in preparation for the future, we will also work on creation of new businesses that take into account synergies with each business of the Group, including the commercial property business.

Through the measures described above, on the back of our history of over 120 years and tradition, the Group will challenge toward infinite potential by leveraging creative insight based on our corporate philosophy of fostering a spirit of enterprise and of social contribution by helping others through self-help. Accordingly, we aim to realize sustainable growth and mid- to long-term improvement in corporate value, and furthermore become a company that is helpful to society, environmentally friendly, and values smiles of people, thereby contributing to creation of a better future of Japan.

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 11, 2018, to update the takeover defense policy as a countermeasure against actions constituting large-scale purchases of the Company shares, etc. (hereafter, the "Takeover Defense Plan"). At the 198th Annual General Meeting of Shareholders held on June 27, 2018 (hereafter "this Annual General Meeting of Shareholders"), a resolution for the update of the Takeover Defense 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").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 a Large-Scale Purchase that fails 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 common shares of the Company 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, 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.

v. Effective period, abolition and revision of the Takeover Defense Plan
The effective period of the Takeover Defense Plan shall expire at the conclusion of the General Meeting of Shareholders of the Company for the last fiscal year ending within three years after the conclusion of this Annual General Meeting of Shareholders. However, even before the expiration of the effective period, (1) in the event that a resolution to abolish the Takeover Defense Plan is made at a general meeting of shareholders of the Company or (2) in the event that a resolution to abolish the Takeover Defense Plan is made at the Board of Directors of the Company, the Takeover Defense Plan shall be abolished at that time.

vi. 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 specific initiatives stated in 2) and 3) above follow 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 (independent committee) 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

2. 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 ¥9,020 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.

3. Analysis of financial position, operating results and cash flows by management

(1) Overview of status of operating results, etc.

The overview of the status of the financial position, operating results and cash flows (hereinafter referred to as "operating results, etc.") of the Group (the Company and its consolidated subsidiaries) for the fiscal year ended March 31, 2018 are as follows:

1) Status of financial position and operating results

(Status of operating results)

During the fiscal year under review, the Japanese economy continued to expand moderately due to improvement in the employment and income environment brought about by the continued accommodative financial policy and the effects of various government economic measures.

Concerning the business environment, a moderate improvement was observed almost throughout the year in the shopping center sector. In the healthcare sector, general bedding remained weak, although demand grew for some products, including health-related functional bedding as health and sleep drew attention. The textile and apparel sector tended to gradually recover despite impacts of unseasonable 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 strived to ensure stable long-term funding through the syndicate loan executed in the fiscal year ended March 31, 2017 and to maintain the effects of reduction of the interest cost. To gear policies to establishing a robust platform for our core businesses, in the commercial property business, we have strengthened various sales promotion events at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, to draw in more customers. Furthermore, we proceeded with discussions on expansion of floor space and renovation of the SUN TO MOON Kakitagawa and reached a final decision to carry them out. In the health care business, we worked on expanding sales of EWOOL products, which we developed by leveraging our proprietary technology, and strengthening sales of healthcare products such as household thermal and electric potential therapy devices by making the most of the capital and business alliance formed with Ito Physiotherapy & Rehabilitation. In the textile and apparel business, we continued to make efforts to improve profitability while strengthening uniform-related sales. Excluding one-time factors, we steadily increased profits through promoting above measures, and all the profit accounts following the operating income were performing favorably at a pace faster than the Mid-term Management Plan target.

However, as announced on March 28, 2018, we decided to implement expansion of floor space and renovation concerning the SUN TO MOON Kakitagawa commercial facility (hereinafter referred to as the "4th stage development). Accordingly, cost of sales and selling, general and administrative expenses of ¥110 million in total, including an increase in depreciation, and non-operating expenses of ¥84 million in total, including commission for syndicate loan pertaining to the 4th stage development, were incurred.

As a result, net sales of the Group for the year ended March 31, 2018 totaled ¥4,427 million (decreased by 5.8% from the prior fiscal year) mainly due to a reactionary decline from temporary revenue posted in the prior fiscal year in commercial property business and sluggish sales of seasonal products in the health care business and the textile and apparel business because of the impact of unseasonal weather. Despite efforts to reduce selling, general and administrative expenses, operating income was ¥325 million (decreased by 21.9% from the prior fiscal year), due to such one-time factors as an increase in depreciation as a result of changes in useful lives of some facilities following the ahead-of-schedule implementation of the 4th stage development at the SUN TO MOON Kakitagawa and expenses on partial dismantling of a bowling alley, which totaled ¥110 million. Ordinary income was ¥153 million (decreased by 42.5% from the prior fiscal year), due to one-time special factors totaling ¥84 million, including payment of commission for conclusion of a syndicate loan pertaining to the implementation of the 4th stage development, despite recording ¥20 million for gain on partial sales of owned property. Profit before income taxes was ¥153 million (increased by 3.9% from the prior fiscal year) since no extraordinary income/losses were posted for the fiscal year ended March 31, 2018. Taking into account tax burden such as income tax, profit attributable to owners of parent was ¥103 million (decreased by 33.5% from the prior fiscal year).

The operating results by reportable segments are summarized as follows:

(Commercial property business)

In the commercial property business, sales declined year-on-year due to the lack of non-recurring income recorded in the prior fiscal year, although sales remained robust at the SUN TO MOON Kakitagawa, one of the leading

commercial facilities in Shizuoka Prefecture, partly attributable to the effects of projects actively held in commemoration of the 20th anniversary and other various events. Operating income also decreased year-on-year due to non-recurring expenses on partial renovation concerning the projects to commemorate the 20th anniversary and recording of expenses following the decision to implement the 4th stage development of the SUN TO MOON Kakitagawa.
As a result, net sales in the commercial property business totaled ¥2,315 million (decreased by 0.9% from the prior fiscal year), and operating income amounted to ¥817 million (decreased by 13.9% from the prior fiscal year).

(Health care business)
In the health care business section, sales were down year-on-year mainly due to sluggish sales of products such as our proprietary bio linen products at some OEM partners. In the general bed and bedding section, sales fell year-on-year due to poor performance of seasonal products, including a decline in demand in summer. In terms of profit and loss, operating income were down year-on-year due to deterioration of profitability primarily attributable to persistently high raw material costs in the general bed and bedding section, despite the improved gross profit margin of health-related products in the health care business section.
As a result, net sales in the health care business totaled ¥750 million (decreased by 9.4% from the prior fiscal year), and operating loss amounted to ¥51 million (compared with the operating loss of ¥37 million in the prior fiscal year) partly due to a decrease in gross profit margin mainly from persistently high raw material costs, despite a decrease in selling, general and administrative expenses.

(Textile and apparel business)
In the textile and apparel section, sales were down year-on-year due to sluggish sales at some OEM partners in the fabric industry, in which market conditions are stagnant, as well as weak sales of seasonal products affected by unseasonal weather. In the uniform section, sales were down year-on-year due to a reactionary decline in demand over the end of the fiscal year from the public sector, which placed large orders in the prior fiscal year. Operating income decreased year-on-year due partly to a decline in gross profit resulting from decreased sales despite the effects of improvement in the gross profit margin and a reduction in selling, general and administrative expenses.
As a result, net sales in the textile and apparel business for the current fiscal year totaled ¥1,361 million (decreased by 11.4% from the prior fiscal year). Operating loss amounted to ¥2 million (compared with the operating income of ¥11 million in the prior fiscal year) due to a decline in gross profit attributable to decreased net sales, despite the effects of improved profitability.

(Notes)
1. Figures for operating income reported above as segment earnings include internal inter-segment transactions.
2. 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.

(Status of financial position)
The balance of total assets as of the end of the current fiscal year decreased by ¥204 million from the end of the prior fiscal year to ¥18,888 million (¥19,093 million for the prior fiscal year). This was mainly due to an increase of ¥108 million in cash and deposits, a decrease of ¥146 million in accounts receivable (Other under Current assets), and a decrease of ¥203 million in in property, plant and equipment.
The balance of liabilities as of the end of the current fiscal year decreased by ¥326 million from the end of the prior fiscal year to ¥14,437 million (¥14,764 million as of the end of the prior fiscal year). This was mainly due to a decrease of ¥338 million in long-term loans payable.
The balance of net assets as of the end of the current fiscal year increased by ¥121 million from the end of the prior fiscal year to ¥4,450 million (¥4,329 million as of the end of the prior fiscal year). This was mainly due to an increase of ¥103 million in retained earnings.

2) Status of cash flows
Net cash provided by operating activities amounted to ¥559 million (increased by 5.8% from the prior fiscal year). This was mainly attributable to recording of profit before income taxes of ¥153 million and depreciation of ¥452 million.
Net cash used in investing activities amounted to ¥86 million (¥343 million provided in the prior fiscal year). This was mainly due to ¥250 million in purchase of property, plant and equipment and intangible assets and ¥134 million in proceeds from sales of investments in capital.
Net cash used in financing activities was ¥363 million (¥109 million provided in the prior fiscal year). This was mainly attributable to a net increase in short-term loans payable of ¥61 million, ¥338 million in repayments of long-term loans payable, and ¥26 million of repayments of lease obligations.
As a result of these activities, cash and cash equivalents increased by ¥108 million (6.5%) from the end of the prior fiscal year to ¥ 1,777 million.

3) 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, results of production, orders and sales is shown in relation to segment operating results in "1) Status of financial position and operating results."

(2) Details of analysis and discussions concerning the status of operating results, etc. from the perspective of management

Details of recognition, analysis and discussions concerning the status of operation results, etc. of the Group from the perspective of management are as follows.

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) 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) Details of recognition, analysis and discussions concerning the status of operation results, etc. for the current consolidated fiscal year

(Analysis of financial position)

For the details, please see "2. Business Overview 3. Analysis of financial position, operating results and cash flows by management (1) Overview of status of operating results, etc. 1) Status of financial position and operating results."

(Analysis of operating results)

i. Net sales

Net sales for the current fiscal year were ¥4,427 million, a decrease of ¥274 million (5.8% year-on-year). Major factors were a reactionary decline from temporary revenue posted in the prior fiscal year in the commercial property business and sluggish sales of seasonal products in the health care business and the textile and apparel business because of the impact of unseasonal weather.

ii. Cost of sales and selling, general and administrative expenses

Cost of sales for the current fiscal year was ¥3,267 million, a decrease of ¥164 million (4.8% year-on-year), and its ratio for sales deteriorated by 0.8 percentage points from 73.0% in the previous year to 73.8% in the term under review. Selling, general and administrative expenses for the current fiscal year were ¥834 million, a decrease of ¥18 million (2.1% year-on-year). The major factor affecting the cost of sales was an increase in depreciation as a result of changes in useful lives of some facilities following the ahead-of-schedule implementation of the 4th stage development at the SUN TO MOON Kakitagawa, and the major factor affecting selling, general and administrative expenses was the effect from cost reduction as a result of the relocation of the head office implemented in the prior fiscal year, despite the occurrence of expenses on partial dismantling of a bowling alley at the SUN TO MOON Kakitagawa.

iii. Operating income and expenses

Net operating income for the current fiscal year amounted to ¥325 million, a decrease of ¥91 million (21.9% year-on-year) from the prior fiscal year. This result was mainly due to an increase in depreciation as a result of changes in useful lives of some facilities following the ahead-of-schedule implementation of the 4th stage development at the SUN TO MOON Kakitagawa and a decrease in selling, general and administrative expenses.

iv. Non-operating income and expenses

Non-operating income for the current fiscal year amounted to ¥35 million, a decrease of ¥37 million (51.4% year-on-year). Non-operating expenses amounted to ¥207 million, a decrease of ¥15 million (7.0% year-on-year). As a result, net non-operating loss amounted to ¥171 million, a deterioration of ¥22 million from the prior fiscal year. This result was mainly due to not posting refunded consumption taxes, which were recorded in the prior fiscal year, and the occurrence of compensation expenses.

v. Profit or loss before income taxes

Profit before income taxes for the current fiscal year increased by ¥5 million (3.9% year-on-year) from the prior fiscal year to ¥153 million. This was due to not posting extraordinary losses, which were recorded in the prior fiscal year, despite deterioration of ¥91 million and ¥22 million in operating and non-operating income respectively.

vi. Profit or loss attributable to owners of parent
Profit attributable to owners of parent for the current fiscal year decreased by ¥52 million (33.5% year-on-year) from the prior fiscal year to ¥103 million. This result was mainly due to an increase of ¥58 million in income taxes-deferred.

3) Factors that have material influence on operating results
Described in “2. Business Overview 2. Risks related to business.”

4) Current status and prospects of management strategies
Described in “2. Business Overview 1. Management policy, business environment, issues to be addressed, etc.”

5) Financial resources of capital and liquidity of funds
Major demands for working capital of the Group comprise expenses to purchase inventories in the health care business and textile and the apparel business as well as manufacturing expenses and operating expenses, including selling, general and administrative expenses. Main capital demands for the purpose of investment include capital expenditures, etc. in the commercial property business. The Group has a basic policy of ensuring financial soundness for sustainable growth and mid- to long-term improvement in corporate value. The Group secures working capital and funds for capital expenditures through funds on hand and borrowings from banks. The balance of interest-bearing debt at the end of the period under review, including loans payable and lease obligations, amounted to ¥9,020 million.
For the analysis of cash flows for the current fiscal year, please see “2. Business Overview 3. Analysis of financial position, operating results and cash flows by management (1) Overview of status of operating results, etc. 2) Status of cash flows.”

4. 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.

5. Research and development activities

Not applicable

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 ¥255 million. By segment, ¥254 million went into the commercial property business and ¥0 million into the Group as a whole.

In the commercial property business, investment was mostly made to the SUN TO MOON Kakitagawa complex.

2. Major equipment and facilities

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

The Company

(As of March 31, 2018)

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	16,936	—	— (—)	2,917	6,920	26,774	20 (1) 3 (–) 9 (1) 12 (–)
SUN TO MOON Kakitagawa, etc. (Shimizu-cho, Sunto-gun, Shizuoka)	Commercial property business	Commercial facilities, etc. (Note 2)	5,812,144	—	8,912,070 (92,551)	142,050	27,833	14,894,099	29 (–)

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, 2018)

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)	20 (1) 3 (–) 9 (1) 12 (–)	30,344

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

(1) New additions, etc. of important equipment and facilities

Company name	Location	Name of segment	Description	Planned amount of investment		Fund procurement method	Commencement	Completion
				Total amount (Thousands of yen)	Amount already paid (Thousands of yen)			
The Company	SUN TO MOON Kakitagawa, etc. (Shimizu-cho, Sunto-gun, Shizuoka)	Commercial property business	Commercial facilities, etc.	3,800,000	—	Borrowings	April, 2018	Summer 2019

Note: The above figure is presented exclusive of consumption tax, etc.

(2) Disposals, etc. of important equipment and facilities
There are no plans for disposals, etc. of important equipment and facilities.

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, 2018	As of June 27, 2018 (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 100
Total	30,000,000	30,000,000	—	—

(2) Status of the stock acquisition rights

1) Stock option plans

Date for resolution	November 9, 2016	August 23, 2017
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	3 Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company 2 executive officers of the Company
Number of shares to be issued upon the exercise of stock acquisition rights (units) *	80 (Note 1)	110 (Note 1)
Type, details and number of shares to be issued upon the exercise of stock acquisition rights (shares) *	Common stock 80,000 (Note 1)	Common stock 110,000 (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	September 20, 2020 – September 19, 2025
Price of shares when issued through exercise of stock acquisition rights and capital incorporation (yen) *	Issue price 71 Capital incorporation (Note 2)	Issue price 84 Capital incorporation (Note 2)
Conditions for the exercise of stock acquisition rights *	(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.	
Matters relating to the issuance of stock acquisition rights as a result of organizational restructuring action *	(Note 4)	

* Matters as of the end of the current fiscal year (March 31, 2018) are presented. There were no changes in these matters as of the end of the previous month (May 31, 2018) of the filing date of this Securities Report.

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 rights 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) (above events hereinafter collectively referred to as the "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, or 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 Companies Act 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 plan 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 is 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.

2) Rights plan

Not applicable

3) Status of other stock acquisition rights

Not applicable

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

Not applicable

(4) 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

(5) Details of shareholders

(As of March 31, 2018)

Classification	Status of shares (1 unit = 100 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)	—	19	30	72	27	8	8,129	8,285	—
Number of shares held (Units)	—	34,065	29,510	27,627	9,340	66	199,229	299,837	16,300
Shareholding Ratio (%)	—	11.36	9.84	9.21	3.12	0.02	66.45	100.00	—

Notes:
1. Treasury stock of 68,599 shares are included in "Individuals and other" at 685 units, and in "Stocks of less than a standard unit" at 99 shares.
2. "Other corporations" include 70 units held under the name of Japan Securities Depository Center, Incorporated.
3. The standard unit was changed from 1,000 shares to 100 shares as of October 1, 2017 according to the resolution of the Board of Directors held on August 10, 2017.

(6) Principal shareholders

(As of March 31, 2018)

Name	Address	Number of shares held (Thousands)	Number of shares held as a percentage of total shares issued (excluding treasury shares) (%)
SBI SECURITIES Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	1,069	3.57
JAPAN SECURITIES FINANCE CO., LTD.	1-2-10 Nihonbashikayaba-cho, Chuo-ku, Tokyo	1,048	3.50
First Brothers Co., Ltd.	2-4-1 Marunouchi, Chiyoda-ku, Tokyo	682	2.27
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11 Harumi 1-Chome, Chuo-ku, Tokyo	599	2.00
SEED Inc.	1-7-25 Bunkyo-cho, Mishima-shi, Shizuoka	501	1.67
Developer Sanshin inc.	3-11 Kanda-Nishikicho, Chiyoda-ku, Tokyo	500	1.67
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	434	1.45
Japan Trustee Services Bank, Ltd. (Trust account 2)	1-8-11 Harumi 1-Chome, Chuo-ku, Tokyo	403	1.34
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunochi, Chiyoda-ku, Tokyo	383	1.28
Matsui Securities Co., Ltd.	1-4 Kojimachi, Chiyoda-ku, Tokyo	307	1.02
Total	—	5,930	19.81

(7) Status of voting rights

1) Shares issued

(As of March 31, 2018)

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 68,500	—	—
	(Crossholding stock) Common stock 93,000	—	—
Shares with full voting rights (Others)	Common stock 29,822,200	298,222	—
Stocks of less than a standard unit	Common stock 16,300	—	—
Total shares issued	30,000,000	—	—
Total voting rights held by all shareholders	—	298,222	—

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 70 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, 2018)

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	68,500	—	68,500	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	—	161,500	—	161,500	0.53

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	901	68,008
Treasury stock acquired during the period for acquisition	—	—

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, 2018 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	68,599	—	68,599	—

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, 2018 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

	194th fiscal year	195th fiscal year	196th fiscal year	197th fiscal year	198th fiscal year
Year-end	March 2014	March 2015	March 2016	March 2017	March 2018
Highest (Yen)	100	80	97	80	141
Lowest (Yen)	61	66	55	56	67

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 2017	November	December	January 2018	February	March
Highest (Yen)	141	123	121	137	119	118
Lowest (Yen)	85	97	101	106	101	104

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)	53,600
Vice President and Representative Director	General Manager, Health Care Business Headquarters	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 Health Care Business and Textile and apparel Business Management June 2015 Vice President and Representative Director November 2017 Vice President and Representative Director General Manager, Health Care Business Headquarters (current post)	(Note 2)	44,200
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)	11,200
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)	73,000
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) 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) December 2017 Representative Director of Takano Sogo Consulting Co. (current post)	(Note 3)	700
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)	700
Total					183,400

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, 2018 to the conclusion of the General Meeting of Shareholders for the fiscal year ending in March, 2019.
3. From the conclusion of the General Meeting of Shareholders held on June 27, 2018 to the conclusion of the General Meeting of Shareholders for the fiscal year ending in March 2020.
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.

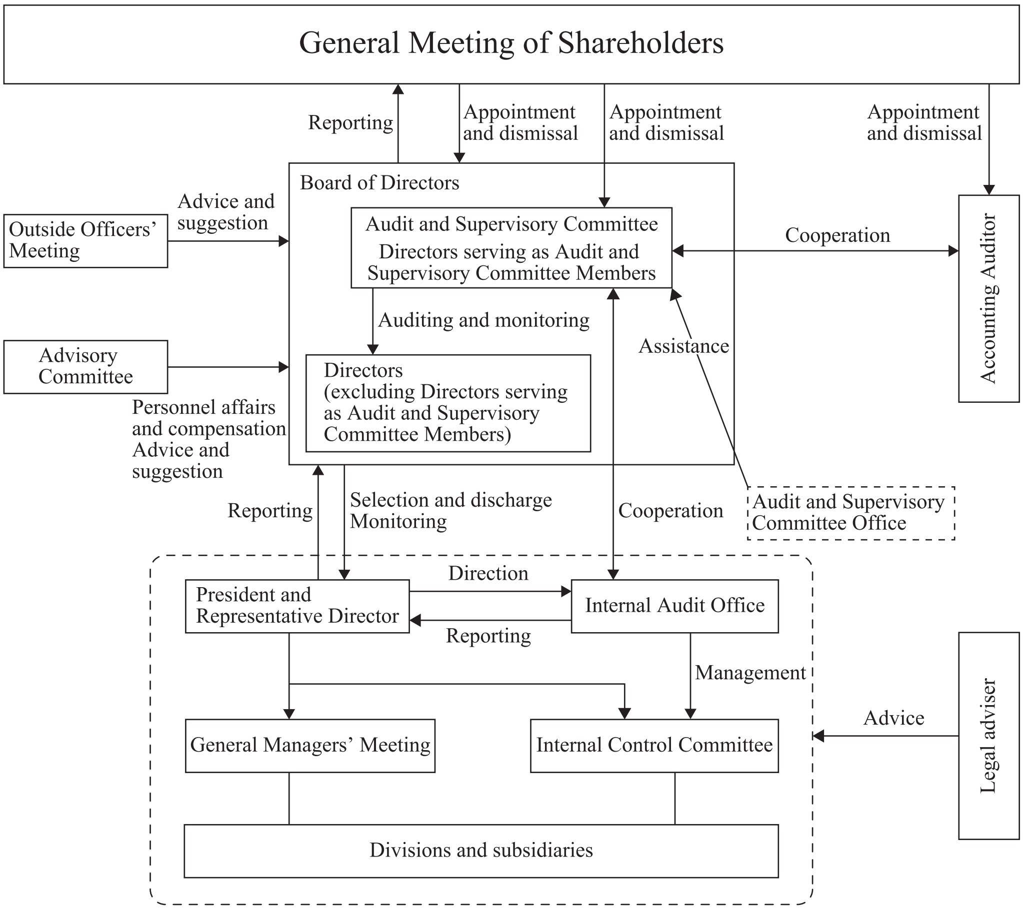
(Internal Control Committee)

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)	38,882	36,030	2,852	—	—	3
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	6,900	6,900	—	—	—	1
Outside Directors	18,849	18,849	—	—	—	4

Notes: 1. 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.

2. 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.

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
8,550	1	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:12

Total of the amounts recorded in the balance sheet: ¥258,735 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	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.

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	166,087	Maintain the trade relations, etc.
ENCHO Co., Ltd.	6,000	2,640	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, 2018 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	28,000	2,600	28,800	—
Consolidated subsidiaries	—	—	—	—
Total	28,000	2,600	28,800	—

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

(Current fiscal year)
Not applicable

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, 2018(from April 1, 2017 to March 31, 2018) 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, 2017)		Current fiscal year (As of March 31, 2018)
Assets				
Current assets				
Cash and deposits		1,678,627		1,787,501
Notes and accounts receivable-trade		480,554	*7	543,261
Inventories	*2	461,982	*2	410,797
Deferred Tax Asset		60,785		51,700
Other		341,293		218,777
Allowance for doubtful accounts		(1,110)		(950)
Total current assets		3,022,133		3,011,089
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*1	6,166,885	*1	5,924,700
Land	*1, *5	9,339,792	*1, *5	9,331,375
Leased assets, net		168,982		144,967
Other, net		25,581		96,500
Total property, plant and equipment	*3	15,701,243	*3	15,497,544
Intangible assets		9,417		8,181
Investments and other assets				
Investment securities	*4	280,920	*4	296,287
Claims provable in bankruptcy, claims provable in rehabilitation and other		90,173		88,518
Deferred Tax Asset		—		13,674
Other		76,531		58,659
Allowance for doubtful accounts		(86,632)		(85,100)
Total investments and other assets		360,992		372,040
Total non-current assets		16,071,652		15,877,766
Total assets		19,093,785		18,888,855

(Thousands of yen)

		Prior fiscal year (As of March 31, 2017)		Current fiscal year (As of March 31, 2018)
Liabilities				
Current liabilities				
Notes and accounts payable-trade		384,203	*7	504,597
Short-term loans payable	*1	338,400	*1	399,400
Income taxes payable		29,762	*1	47,574
Provision for bonuses		32,481		35,412
Provision for shareholder benefits		16,338		21,000
Other	*1	722,073	*1	638,704
Total current liabilities		1,523,259		1,646,688
Non-current liabilities				
Long-term loans payable	*1	8,807,800	*1	8,469,400
Lease obligations		152,183		126,657
Long-term guarantee deposited	*1	1,755,888	*1	1,663,472
Deferred tax liabilities		279		—
Deferred tax liabilities for land revaluation	*5	2,211,637	*5	2,211,637
Net defined benefit liability		260,227		266,374
Asset retirement obligations		52,923		53,689
Total non-current liabilities		13,240,938		12,791,231
Total liabilities		14,764,197		14,437,919
Net assets				
Shareholders’ equity				
Capital stock		1,500,000		1,500,000
Capital surplus		503,375		503,375
Retained earnings		(2,658,134)		(2,554,346)
Treasury shares		(7,138)		(7,206)
Total shareholders’ equity		(661,897)		(558,177)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(8,352)		5,081
Deferred gains or losses on hedges		445		(82)
Revaluation reserve for land	*5	4,993,002	*5	4,993,002
Foreign currency translation adjustment		5,767		6,847
Total accumulated other comprehensive income		4,990,863		5,004,849
Stock acquisition rights		622		4,264
Total net assets		4,329,588		4,450,935
Total liabilities and net assets		19,093,785		18,888,855

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

Consolidated statement of income

(Thousands of yen)

		Prior fiscal year (From April 1, 2016 to March 31, 2017)		Current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales		4,701,997		4,427,778
Cost of sales	*1	3,432,247	*1	3,267,704
Gross profit		1,269,750		1,160,074
Selling, general and administrative expenses	*2	852,681	*2	834,424
Operating income		417,068		325,650
Non-operating income				
Interest income		80		45
Dividends income		5,586		6,084
Share of profit of entities accounted for using equity method		12,313		—
Refunded consumption taxes		48,324		—
Gain on sales of non-current assets		293		22,232
Other		6,871		7,321
Total non-operating income		73,470		35,683
Non-operating expenses				
Interest expenses		123,640		113,874
Commission for syndicate loan		80,166		57,166
Compensation expenses		—		29,000
Other		19,130		7,345
Total non-operating expenses		222,937		207,387
Ordinary income		267,602		153,946
Extraordinary income				
Gain on sales of investments in capital		109,743		—
Total extraordinary income		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		148,111		153,946
Income taxes-current		57,143		57,035
Income taxes-deferred		(65,112)		(6,876)
Total income taxes		(7,968)		50,158
Profit		156,079		103,788
Profit attributable to owners of parent		156,079		103,788

Consolidated statement of comprehensive income

(Thousands of yen)

	Prior fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Profit	156,079	103,788
Other comprehensive income		
Valuation difference on available-for-sale securities	15,110	13,433
Deferred gains or losses on hedges	929	(527)
Foreign currency translation adjustment	(3,289)	1,079
Share of other comprehensive income of entities accounted for using equity method	(140,074)	—
Total other comprehensive income	* (127,324)	* 13,985
Comprehensive income	28,755	117,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,755	117,773
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in equity

Prior 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 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

Current fiscal year (From April 1, 2017 to March 31, 2018)

(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	(2,658,134)	(7,138)	(661,897)
Changes of items during period					
Profit (loss) attributable to owners of parent			103,788		103,788
Purchase of treasury shares				(68)	(68)
Reversal of revaluation reserve for land					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	103,788	(68)	103,720
Balance at end of current period	1,500,000	503,375	(2,554,346)	(7,206)	(558,177)

	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	(8,352)	445	4,993,002	5,767	4,990,863	622	4,329,588
Changes of items during period							
Profit (loss) attributable to owners of parent							103,788
Purchase of treasury shares							(68)
Reversal of revaluation reserve for land							
Net changes of items other than those in shareholders' equity	13,433	(527)	—	1,079	13,985	3,641	17,627
Total changes of items during period	13,433	(527)	—	1,079	13,985	3,641	121,347
Balance at end of current period	5,081	(82)	4,993,002	6,847	5,004,849	4,264	4,450,935

4) Consolidated statement of cash flows

(Thousands of yen)

	Prior fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	148,111	153,946
Depreciation	405,317	452,457
Increase (decrease) in allowance for doubtful accounts	(8,840)	(1,692)
Increase (decrease) in provision for bonuses	804	2,930
Increase (decrease) in provision for shareholder benefits	16,338	4,662
Increase (decrease) in net defined benefit liability	12,131	6,147
Interest and dividend income	(5,667)	(6,129)
Loss (gain) on sales of investment in capital of subsidiaries and associates	121,977	—
Loss (gain) on sales of investments in capital	(109,743)	—
Interest expenses	123,640	113,874
Reimbursement of prepayment	107,257	—
Share of (profit) loss of entities accounted for using equity method	(12,313)	—
Decrease (increase) in notes and accounts receivable - trade	35,679	(61,916)
Decrease (increase) in inventories	(37,892)	51,334
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	11,070	1,655
Increase (decrease) in notes and accounts payable - trade	7,501	119,172
Increase (decrease) in guarantee deposits received	(173,136)	(152,785)
Decrease (increase) in other assets	19,286	(10,847)
Increase (decrease) in other liabilities	115,428	33,450
Subtotal	776,951	706,259
Interest and dividend income received	5,667	6,129
Interest paid	(127,919)	(113,572)
Reimbursement of prepayment paid	(107,257)	—
Income taxes paid	(18,848)	(39,681)
Net cash provided by (used in) operating activities	528,592	559,135
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(37,056)	(250,085)
Proceeds from sales of property, plant and equipment and intangible assets	300	28,672
Purchase of securities	(600,000)	—
Proceeds from redemption of securities	600,000	—
Proceeds from sales of investment securities	—	371
Proceeds from withdrawal of time deposits	80,000	—
Proceeds from sales of investments in capital	262,781	134,263
Payment for lease deposits	(17,823)	—
Collection of lease deposits	53,909	—
Other	1,659	—
Net cash provided by (used in) investing activities	343,770	(86,777)

(Thousands of yen)

		Prior fiscal year (From April 1, 2016 to March 31, 2017)		Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable		(540,000)		61,000
Proceeds from long-term loans payable		9,400,000		—
Repayments of long-term loans payable		(7,377,490)		(338,400)
Repayments of construction assistance fund receivables		(400,738)		—
Redemption of bonds		(865,500)		—
Repayments of lease obligations		(26,359)		(26,359)
Decrease (increase) in treasury shares		(104)		(68)
Others		(80,166)		(60,166)
Net cash provided by (used in) financing activities		109,641		(363,993)
Effect of exchange rate change on cash and cash equivalents		(855)		509
Net increase (decrease) in cash and cash equivalents		981,148		108,873
Cash and cash equivalents at beginning of the period		687,297		1,668,446
Cash and cash equivalents at end of the period	*	1,668,446	*	1,777,319

[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

   (2) There are no unconsolidated subsidiaries

2. Equity method
   (1) Number of affiliated companies accounted for by the equity method: 0

   (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)
   Those of the Company and 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 as well as facilities and structures attached to buildings, and operating leased assets and the related assets thereto (some of which are depreciated using the declining-balance method) that were acquired on or after April 1, 2016, 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.

   (Changes in accounting estimates)
   Following the decision made during the current consolidated fiscal year to implement expansion of floor space and renovation of commercial facilities, useful lives of non-current assets were shortened and the changes will continue to be

adopted in the future.
As a result, operating income, ordinary income and profit before income taxes for the fiscal year ended March 31, 2018 decreased by ¥53,065 thousand, respectively, compared with figures under the previous method.

(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.

ii) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward exchange contracts	Receivables and payables denominated in foreign currencies Forecasted transactions denominated in foreign currencies

iii) Hedging policy
Derivative transactions regarding currency are used to mitigate risks associated with foreign currency exchange
.

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.

(Accounting standards, etc. not applied)

· “Implementation Guidance on Tax Effect Accounting” (the Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018)
· “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, February 16, 2018)

(1) Overview
The “Implementation Guidance on Tax Effect Accounting,” etc. were revised to reflect the following amendments that were deemed necessary upon transferring practical guidelines concerning tax effect accounting from the Japanese Institute of Certified Public Accountants to ASBJ, by essentially following details of the original guidelines.

(Major accounting treatments revised)

- Treatment of taxable temporary differences pertaining to shares, etc. of subsidiaries on the non-consolidated financial statements
- Treatment of recoverability of deferred tax assets at corporations that fall under (Class 1)

(2) Planned date for application

To be applied from the beginning of the fiscal year ending March 2019

(3) Impact of the application of the said accounting standards, etc.

The impact of the application of "Implementation Guidance on Tax Effect Accounting," etc. on the consolidated financial statements is being evaluated at present.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards concerning revenue recognition and publicly announced "Revenue from Contracts with Customers" (IFRS 15 of IASB and Topic 606 of FASB) in May 2014. In light of the situation in which IFRS 15 was to be applied from the fiscal year starting on or after January 1, 2018 and Topic 606 was to be applied from the fiscal year starting on or after December 15, 2017, ASBJ developed comprehensive accounting standards concerning revenue recognition and publicly announced them along with the implementation guidance.

Upon developing accounting standards concerning revenue recognition, ASBJ had a fundamental policy to start by adopting basic principles of IFRS 15 into the newly establishing accounting standards, from the perspective of comparability among financial statements, which is one of advantages in ensuring consistency with IFRS 15. Furthermore, if there are items in practices, etc. that have been adopted in Japan thus far, alternative treatment will be added within the scope of not damaging comparability.

(2) Planned date for application

To be applied from the beginning of the fiscal year ending March 2022

(3) Impact of the application of the said accounting standards, etc.

The impact of the application of "Accounting Standard for Revenue Recognition," etc. on the consolidated financial statements is being evaluated at present.

(Additional information)

1. Important capital expenditures

At the Board of Directors held on March 28, 2018, the Company resolved to conduct a construction to expand and renovate the SUN TO MOON Kakitagawa commercial facility (Shizuoka Prefecture).

(1) Purpose

To enhance the commercial property business and contribute to further regional development by expanding the scale of the SUN TO MOON Kakitagawa commercial facility

(2) Details of capital expenditures

Structure of the new building	Three-storied reinforced concrete building
Structure of the separate building	Single-storied reinforced concrete building
Rough estimate of total construction cost	¥3.8 billion
Groundbreaking	April 2018
Completion	Summer of 2019 (scheduled)

(3) Impact of the said facilities on sales and production activities

Although consolidated performance of the Company assumed to be temporarily sluggish during the term of construction, both net sales and operating income are both expected to increase after full-scale opening, which are taken into account in the numerical plans under the Mid-term Management Policy, already announced publicly.

2. Important borrowing of funds

Pursuant to the resolution by the Board of Directors on March 28, 2018, the Company concluded a syndicate loan contract with Mizuho Bank, Ltd. as the arranger.

(1) Use

Development funds for expansion of floor space and renovation of the SUN TO MOON Kakitagawa, a commercial facility of the Company

(2) Overview of the syndicate loan contract

Contract amount	¥3.8 billion (term loan with a commitment period)
Contract date	March 28, 2018
Term of commitment	April 2, 2018 – August 29, 2019
Interest rate	Base rate + spread
Arranger	Mizuho Bank, Ltd.
Co-arranger	The Shizuoka Bank
Syndicate	Mizuho Bank, Ltd., The Shizuoka Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), ShinGinko Tokyo, Inc. (currently Kiraboshi Bank, Ltd.)

(3) Asset as collateral
Real estate in a commercial facility in the Mishima area in Shizuoka Prefecture

(4) Financial restraint clauses
1) For the fiscal year ended March 31, 2018 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, 2017.
2) For the two consecutive fiscal years with the fiscal year ended March 31, 2018 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 evaluation whether this item has been satisfied shall be carried out for the accounting of the fiscal year ending March 31, 2019 and for the immediately preceding fiscal year.

(For consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Buildings and structures	6,118,201	5,820,719
Land	9,096,008	8,96,008
Total	15,214,210	14,780,728

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Short-term loans payable	338,400	399,400
Other current liabilities (current portion of guarantee deposits received)	61,436	61,436
Long-term loans payable	8,807,800	8,469,400
Long-term guarantee deposited	742,530	681,093
Total	9,950,167	9,611,330

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Merchandise and finished goods	457,900	406,139
Work in process	979	1,756
Raw materials and supplies	3,101	2,901
Total	461,982	410,797

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

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Accumulated depreciation of property, plant and equipment	7,303,120	7,750,957

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

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
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, 2017)	Current fiscal year (As of March 31, 2018)
Discounted notes receivables	10,000	5,000

*7. Notes matured as of the end of the fiscal year are settled on their clearing days.

As the end of the current consolidated fiscal year fell on a bank holiday, following notes maturing at the end of the current consolidated fiscal year are included in the balance at the end of the fiscal year.

(Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Notes receivable-trade	—	4,308
Notes payable-trade	—	37,346

8 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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
538	13,741

*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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Salaries	265,828	243,021
Provision for bonuses	24,570	27,620
Retirement benefit expenses	13,247	21,829
Provision of allowance for doubtful accounts	(6,521)	(1,692)
Provision for shareholder benefits	16,338	21,000

(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	15,110	15,739
Amount of reclassification adjustments	—	(63)
Before tax-effect adjustment	15,110	15,675
Amount of tax effects	—	(2,242)
Valuation difference on available-for-sale securities	15,110	13,433
Deferred gains or losses on hedges:		
Amount arising during the period	1,128	(762)
Amount of tax effects	(198)	234
Deferred gains or losses on hedges	929	(527)
Foreign currency translation adjustment:		
Amount arising during the period	(3,289)	1,079
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	(49,434)	—
Amount of reclassification adjustments	(90,640)	—
Share of other comprehensive income of entities accounted for using equity method	(140,074)	—
Total other comprehensive income	(127,324)	13,985

(For consolidated statement of changes in equity)

Prior 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

Current fiscal year (From April 1, 2017 to March 31, 2018)

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)	67,698	901	—	68,599
Total	67,698	901	—	68,599

Note: The increase of 901 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	—	—	—	—	—	2,488
	Stock acquisition rights in the form of 2017 stock options	—	—	—	—	—	1,775
Total			—	—	—	—	4,264

(Note) For stock acquisition rights in the form of 2016 stock options, the first day of their exercise period has yet to arrive.
For stock acquisition rights in the form of 2017 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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash and deposits	1,678,627	1,787,501
Time deposits with maturities of more than three months	(10,181)	(10,182)
Cash and cash equivalents	1,668,446	1,777,319

(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

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, 2017)

(Thousands of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,678,627	1,678,327	—
(2) Notes and accounts receivable-trade	480,554		
Allowance for doubtful accounts	(600)		
	479,954	479,954	—
(3) Securities and investment securities			
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	(19,426)
(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, and any item for which the total becomes a net liability is indicated in parentheses.

Current fiscal year (As of March 31, 2018)

(Thousands of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,787,501	1,787,501	—
(2) Notes and accounts receivable-trade	543,261		
Allowance for doubtful accounts	(690)		
	542,571	542,571	—
(3) Securities and investment securities			
1) Other securities	162,727	162,727	—
(4) Claims provable in bankruptcy, claims provable in rehabilitation and other	88,518		
Allowance for doubtful accounts	(85,100)		
	3,417	3,417	—
Total assets	2,496,219	2,496,219	—
(1) Notes and accounts payable-trade	504,597	504,597	—
(2) Short-term loans payable (excluding current portion of long-term loans payable)	61,000	61,000	—
(3) Income taxes payable	47,574	47,574	—
(4) Long-term loans payable (including current portion of long-term loans payable)	8,807,800	8,807,800	—
(5) Lease obligations (including current portion of lease obligations)	152,183	137,662	(14,520)
(6) Guarantee deposits received (including current portion of guarantee deposits received)	1,739,575	1,655,427	(84,148)
Total liabilities	11,312,730	11,214,061	(98,669)
Derivative transactions (*)	(118)	(118)	—

(*) 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, (2)Short-term loans payable and (3) 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.

(4) 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.

(5) 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.

(6) 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, 2017)	Current fiscal year (As of March 31, 2018)
Unlisted stocks	133,559	133,559

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, 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.

Current fiscal year (As of March 31, 2018) (Thousands of yen)

	Due within one year	Due after one year but within five years
Deposits	1,736,964	—
Notes and accounts receivable-trade	543,261	—
Total	2,280,225	—

(*) Of claims provable in bankruptcy, claims provable in rehabilitation and other, ¥88,518thousand, 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, 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

Current fiscal year (As of March 31, 2018) (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	61,000	—	—	—	—	—
Long-term loans payable	338,400	338,400	8,131,000	—	—	—
Lease obligations	25,526	22,296	21,845	21,845	21,845	38,823
Total	424,926	360,696	8,152,845	21,845	21,845	38,823

(For securities)

1. Other securities

Prior 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.

Current fiscal year (As of March 31, 2018) (Thousands of yen)

	Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount recorded in the consolidated balance sheet exceeds their acquisition cost	Stock	162,727	155,403	7,323
Securities whose carrying amount recorded in the consolidated balance sheet does not exceed their acquisition cost	Stock	—	—	—
Total		162,727	155,403	7,323

(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, 2016 to March 31, 2017)
Not applicable

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

Type of securities	Sales proceeds	Total gain	Total loss
Stock	378	63	—

(For derivative transactions)
1. Derivative transactions for which hedge accounting is not adopted

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

Current fiscal year (As of March 31, 2018)
Not applicable

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

Prior 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.

Current fiscal year (As of March 31, 2018) (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	3,431	—	(118)
Appropriation treatment for forward exchange contracts	Forward foreign exchange contracts: Buy: USD	Accounts payable-trade	794	—	Note 2
	Sell: USD	Long-term loans receivable from subsidiaries and associates	4,100	—	
	CNY	Accounts receivable	145,665	—	

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 accounts payable-trade/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.

(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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net defined benefit liability at the beginning of the year	248,096	260,227
Retirement benefit expenses	14,403	22,949
Retirement benefits paid	(2,271)	(16,802)
Net defined benefit liability at the end of the year	260,227	266,374

(2) Breakdown of retirement benefit expenses

(Thousands of yen)

	Prior fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Retirement benefit expenses based on the simplified method	14,403	22,949

(For stock option plans, etc.)

1. Expense amount for stock option plans and item

(Thousands of yen)

	Prior fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Selling, general and administrative expenses	622	3,641

2. Details of stock option plans, volume and changes

(1) Details of stock option plans

Company name	The Company	The Company
Date for resolution	November 9, 2016	August 23, 2017
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	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	Common stock: 110,000 shares
Grant date	December 5, 2016	September 20, 2017
Vesting conditions	Not se	Not set
Number of required service years	Not set	Not set
Exercise period	December 5, 2019 - December 4, 2024	September 20,2020-September 19,2025

(2) Volume of stock options and changes thereto

This concerns stock options that existed in the fiscal year ended March 31, 2018, and numbers are expressed in terms of the number of underlying shares.

i) Number of stock options

Company name	The Company	The Company
Date for resolution	November 9, 2016	August 23, 2017
Shares that have not vested		
At the end of the prior fiscal year	80,000	—
Granted	—	110,000
Forfeited	—	—
Vested	—	—
Not yet vested	80,000	110,000
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	The Company
Date for resolution	November 9, 2016	August 23, 2017
Exercise price (yen)	1	1
Average stock price at the time of exercise (yen)	—	—
Fair unit value as of the grant date (yen)	70	83

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)	34.1%
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 March 20, 2012, to September 20, 2017).
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, 2017.
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, 2017)	Current fiscal year (As of March 31, 2018)
Deferred tax assets:		
Loss on valuation of inventories	24,274	27,721
Provision for bonuses	10,256	11,091
Accrued expenses	1,212	1,349
Net operating loss brought forward	41,179	26,192
Other	15,000	13,358
Total gross deferred tax assets	91,923	79,713
Valuation allowance	(30,939)	(28,012)
Net deferred tax assets	60,984	51,700
Deferred tax liabilities:		
Deferred gains (losses) on hedges	(198)	—
Total gross deferred tax liabilities	(198)	—
Net deferred tax assets	60,785	51,700

(2) Non-current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Deferred tax assets:		
Impairment loss	26,367	24,315
Allowance for doubtful accounts	26,866	26,057
Net defined benefit liability	80,204	81,909
Asset retirement obligations	16,419	16,653
Net operating loss brought forward	888,702	856,716
Valuation difference on available-for-sale securities	2,557	—
Other	1,390	18,675
Total gross deferred tax assets	1,042,507	1,024,327
Valuation allowance	(1,037,793)	(1,004,180)
Net deferred tax assets	4,714	20,146
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	—	(2,242)
Property, plant and equipment (asset retirement expense)	(4,993)	(4,229)
Total gross deferred tax liabilities	(4,993)	(6,471)
Net deferred tax liabilities	(279)	13,674
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,211,637)	(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, 2017)	Current fiscal year (As of March 31, 2018)
Statutory tax rate	30.9%	30.9%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	6.5%	13.9%
Inhabitant tax on per capita basis	3.4%	3.3%
Change in valuation allowance	(58.0%)	(22.6%)
Different tax rates applied to consolidated subsidiaries	0.7%	0.2%
Foreign withholding tax	14.7%	—%
Income taxes for prior periods	—%	6.9%
Other	(3.6%)	0.0%
Effective tax rates after adoption of tax-effect accounting	(5.4%)	32.6%

(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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Balance at the beginning of the year	50,051	52,923
Increase due to acquisition of tangible assets	8,103	—
Adjustment due to passage of time	725	742
Decrease due to fulfillment of asset retirement obligations	(5,918)	—
Other increase (decrease)	(38)	24
Balance at the end of the year	52,923	53,689

(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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Commercial facilities	Carrying amount	Balance at the beginning of the year	15,476,022	15,120,680
		Increase (decrease) during the year	(355,341)	(204,735)
		Balance at the end of the year	15,120,680	14,915,945
	Fair value at the end of the year		18,827,000	18,982,000
Other	Carrying amount	Balance at the beginning of the year	373,407	364,453
		Increase (decrease) during the year	(8,954)	(13,406)
		Balance at the end of the year	364,453	351,046
	Fair value at the end of the year		431,766	433,764

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 ¥10,369 thousand, while major decrease is depreciation of ¥365,711 thousand.
   Major increase for the current fiscal year is capital expenditure for "SUN TO MOON Kakitagawa" of ¥214,132 thousand, while major decrease is depreciation of ¥418,868 thousand.
3. Of increase (decrease) during the year of Other, major decrease is impairment loss of ¥3,959 thousand and depreciation of ¥4,988 thousand.
   Major decrease for the current fiscal year is sale of idle real estate 8,417 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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Commercial facilities	Rent revenue	2,319,378	2,298,888
	Rent expense	1,292,894	1,351,487
	Difference	1,026,484	947,400
	Other (gain/loss on sale, etc.)	—	—
Other	Rent revenue	16,810	16,816
	Rent expense	9,088	9,260
	Difference	7,721	7,556
	Other (gain/loss on sale, etc.)	—	20,232

Note: 1.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.
2. Other (gain/loss on sale, etc.) is gain on sale and recorded under "non-operating income."

(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, 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
Increase amounts of fixed assets and intangible assets	10,369	1,570	107	12,047	33,264	45,311

Current fiscal year (From April 1, 2017 to March 31, 2018)

(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	2,315,705	750,756	1,361,317	4,427,778	—	4,427,778
Inter-segment sales or transfers	456	—	236	692	(692)	—
Total	2,316,161	750,756	1,361,553	4,428,471	(692)	4,427,778
Segment profits (losses)	817,138	(51,192)	(2,169)	763,776	(438,126)	325,650
Segment assets	15,855,466	326,559	795,320	16,977,346	1,911,509	18,888,855
Other items						
Depreciation	439,979	258	56	440,294	12,163	452,457
Increase amounts of fixed assets and intangible assets	254,661	—	—	254,661	533	255,194

Notes: 1 Details of the Adjustments are as follows:

(Thousands of yen)

Segment profits (losses)	Prior fiscal year	Current fiscal year
Corporate expense *	(506,518)	(438,126)

* 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 *	1,721,885	1,911,509

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

(Thousands of yen)

Other items	Prior fiscal year	Current fiscal year
Depreciation	11,351	12,163
Increase amounts of fixed assets and intangible assets*	33,264	533

* 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, 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.

Current fiscal year (From April 1, 2017 to March 31, 2018)

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, 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

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

Not applicable

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, 2016 to March 31, 2017)

Not applicable

Current fiscal year (From April 1, 2017 to March 31, 2018)

Not applicable

(Per share information)

(Yen)

	Prior fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net assets per share	144.63	148.56
Basic earnings (loss) per share	5.21	3.47
Diluted earnings per share	5.21	3.46

Notes: 1. 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)	156,079	103,788
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent relating to common stock (Thousands of yen)	156,079	103,788
Average number of shares of common stock during the fiscal year (Shares)	29,932,999	29,931,679
Diluted earnings per share		
Amount of profit attributable to owners of parent adjustment (Thousands of yen)	—	—
Increase in number of common shares	3,800	68,999
(Stock acquisition rights (number of shares))	(3,800)	(68,999)
Potential shares not included in the calculation of diluted earnings per share because they have no dilutive effects	—	

(Significant subsequent events)

1. Decreases in capital stock and reserve and appropriation of surplus

At a meeting of its Board of Directors held on March 28, 2018, the Company decided to propose a reduction of capital stock, legal capital surplus and legal retained earnings as well as appropriation of surplus to the Annual General Meeting of Shareholders to be held on June 27, 2018, and the proposal was approved at the said general meeting of shareholders.

(1) Purpose

The Company recorded deficit of ¥2,911,919,505 in retained earnings brought forward in the non-consolidated settlement of accounts as of March 31, 2018. The proposal has two purposes: 1) to fill the deficit and aim to set a target on the resumption of dividends during the period of the current Mid-term Management Policy; and 2) to secure soundness of the financial structure.

(2) Outline of reduction of in capital stock and legal capital surplus

1) Amounts of reduction of capital stock and legal capital surplus

	As of March 31, 2018	Amount of reduction	After reduction
Capital stock	¥1,500,000,000	¥1,400,000,000	¥100,000,000
Legal capital surplus	¥503,270,649	¥503,270,649	¥0

2) Method of reducing capital stock and legal capital surplus

Reduction without any refund, under which the number of shares issued will not be changed and only the amounts of capital stock and legal capital surplus will be reduced. The whole amounts of decreases in capital stock and legal capital surplus will be transferred to other capital surplus.

(3) Outline of reduction of legal retained earnings

1) Amounts of reduction of legal retained earnings

	As of March 31, 2018	Amount of reduction	After reduction
Legal retained earnings	¥375,000,000	¥375,000,000	¥0

2) Method of reducing legal retained earnings

The total amount of legal retained earnings of ¥375,000,000 will be reduced and then transferred to retained earnings brought forward.

(4) Outline of appropriation of surplus

Pursuant to the provisions of Article 452 of the Companies Act, the total amount of other capital surplus, standing at ¥1,903,375,616 after the decreases in the amounts of capital stock and legal capital surplus take effect, will be reduced and transferred to retained earnings brought forward. Adding to this ¥375,000,000, the amount transferred from legal retained earnings to retained earnings brought forward, the sum of ¥2,278,375,616 will be used to compensate for the deficit on the non-consolidated financial statement of the Company.

1) Items and amounts of surplus to decrease

Other capital surplus	(¥1,903,375,616)
Legal retained earnings	(¥375,000,000)

2) Item and amount of surplus to increase

Retained earnings brought forward	¥2,278,375,616

3) Amount of retained earnings brought forward after transfer

Retained earnings brought forward	(¥633,543,889)

(5) Schedule for the disposition of capital stock, legal capital surplus and legal retained earnings

Date of resolution by the Board of Directors	March 28, 2018
Date of resolution at general meeting of shareholders	June 27, 2018
Final date for objections by creditors	August 30, 2018 (scheduled)
Effective date	August 31, 2018

(6) Other important matters

These transactions are accounting transfers within the net assets section, and consequently, the Company’s net assets will remain unchanged and will not affect business results.

2. Important acquisition of business

At the Board of Directors held on June 15, 2018, the Company resolved to change the schedule of the basic agreement on the partial acquisition of WATEX Co., Ltd., concluded as of March 28, 2018, as follows:

(1) Purpose

To reinforce the health care business of the Company

(2) Name of the company from which business will be acquired

WATEX Co., Ltd.

(3) Details of the business to be acquired

Healthcare-related business in general concerning materials of beds and bedding, cloth, and beds and beddings (excluding overseas-related business)

(4) Schedule for business acquisition

Conclusion of the basic agreement	March 28, 2018
Scheduled date for conclusion of agreement on business acquisition	End of July to end of September 2018 (scheduled)
Scheduled date for implementation of acquisition	Within one month from the conclusion of agreement on business acquisition (scheduled)

5) Consolidated supplemental schedules

Schedule of bonds payable

Not applicable

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	—	61,000	1.3	—
Current portion of long-term loans payable (Note 3)	338,400	338,400	1.3	—
Current portion of lease obligations (Note 4)	26,359	25,526	—	—
Long-term loans payable (excluding current portion)	8,807,800	8,469,400	1.3	2019 to 2021
Lease obligations (excluding current portion)	152,183	126,657	—	2019 to 2024
Other interest-bearing debt	—	—	—	—
Total	9,324,742	9,020,983	—	—

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 The following table shows the aggregate annual maturities of long-term loans payable and lease obligations for 5 years subsequent to March 31, 2018.

(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	8,131,000	—	—
Lease obligations	22,296	21,845	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, 2018 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, 2018.

(2) Other

Quarterly financial information for the fiscal year ended March 31, 2018

(Thousands of yen)

Cumulative period	1st Quarter (Three months ended June 30, 2017)	2nd Quarter (Six months ended September 30, 2017)	3rd Quarter (Nine months ended December 31, 2017)	4th Quarter (Fiscal year ended March 31, 2018)
Net sales	1,017,897	2,113,985	3,218,245	4,427.778
Profit before income taxes	66,596	169,214	282,153	153,946
Profit attributable to owners of parent	42,419	130,354	222,528	103,788
Basic earnings per share (Yen)	1,42	4.36	7.43	3.47

Each quarter	1st Quarter (From April 1, 2017 to June 30, 2017)	2nd Quarter (From July 1, 2017 to September 30, 2017)	3rd Quarter (From October 1, 2017 to December 31, 2017)	4th Quarter (From January 1, 2018 to March 31, 2018)
Basic earnings (loss) per share (Yen)	1.42	2.94	3.08	(3.97)

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, 2017)		Current fiscal year (As of March 31, 2018)
Assets				
Current assets				
Cash and deposits		1,079,584		1,247,416
Notes receivable-trade		100,455	*5	99,098
Accounts receivable-trade	*3	276,398	*3	350,684
Inventories	*2	452,395	*2	397,065
Deferred tax assets		58,111		49,067
Other	*3	316,735	*3	200,903
Allowance for doubtful accounts		(1,110)		(950)
Total current assets		2,282,570		2,343,285
Non-current assets				
Property, plant and equipment				
Buildings and Structures	*1	6,168,371	*1	5,926,304
Land	*1	9,549,562	*1	9,533,876
Leased assets		171,017		145,985
Others		28,968		88,721
Total property, plant and equipment		15,917,920		15,694,887
Intangible assets				
Other		9,053		7,952
Total intangible assets		9,053		7,952
Investments and other assets				
Investment securities		243,368		258,735
Shares of subsidiaries and associates		66,656		66,656
Investments in capital of subsidiaries and associates		37,973		37,973
Long-term loans receivable from subsidiaries and associates	*3	208,982	*3	184,200
Claims provable in bankruptcy, claims provable in rehabilitation and other		90,173		88,518
Deferred tax assets		—		12,958
Other		72,887		54,959
Allowance for doubtful accounts		(276,132)		(269,300)
Total investments and other assets		443,908		434,700
Total non-current assets		16,370,882		16,137,541
Total assets		18,653,452		18,480,826

(Thousands of yen)

		Prior fiscal year (As of March 31, 2017)		Current fiscal year (As of March 31, 2018)
Liabilities				
Current liabilities				
Notes payable-trade		148,423	*5	169.818
Accounts payable-trade	*3	208,695	*3	318.489
Short-term loans payable	*1	338,400	*1	399,400
Income taxes payable		20,349		42,585
Provision for bonuses		24,570		27,620
Provision for shareholder benefits		16,338		21,000
Other	*1, *3	312,175	*1, *3	255,355
Total current liabilities		1,068,952		1,234,269
Non-current liabilities				
Long-term loans payable	*1	8,807,800	*1	8,469,400
Lease obligations		152,183		126,657
Long-term guarantee deposited	*1, *3	1,760,730	*1, *3	1,679,770
Deferred tax liabilities		1,077		—
Deferred tax liabilities for land revaluation		2,211,637		2,211,637
Provision for retirement benefits		243,953		251,122
Asset retirement obligations		45,699		46,453
Total non-current liabilities		13,223,081		12,785,040
Total liabilities		14,292,033		14,019,310
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		(2,995,536)		(2,911,919)
Total retained earnings		(2,620,536)		(2,536,919)
Treasury shares		(7,138)		(7,206)
Total shareholders' equity		(624,299)		(540,750)
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		(8,352)		5,081
Deferred gains or losses on hedges		445		(82)
Revaluation reserve for land		4,993,002		4,993,002
Total valuation and translation adjustments		4,985,095		4,998,001
Stock acquisition rights		622		4,264
Total net assets		4,361,418		4,461,515
Total liabilities and net assets		18,653,452		18,480,826

2) Non-consolidated statement of income

(Thousands of yen)

		Prior fiscal year (From April 1, 2016 to March 31, 2017)		Current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	*1	3,705,812	*1	3,453,186
Cost of sales	*1	2,525,277	*1	2,353,968
Gross profit		1,180,535		1,099,217
Selling, general and administrative expenses	*1,*2	813,503	*1,*2	791,592
Operating income		367,031		307,625
Non-operating income				
Interest income	*1	1,194	*1	1,141
Dividends income		5,586		6,084
Gain on sales of investments in capital		—		5,300
Other		2,594		15,581
Total non-operating income		9,375		28,106
Non-operating expenses				
Interest expenses		123,640		113,874
Other		99,265		93,219
Total non-operating expenses		222,906		207,094
Ordinary income		153,501		128,637
Extraordinary income				
Reversal of allowance for doubtful accounts		109,743		—
Total extraordinary income		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		74,836		128,637
Income taxes-current		42,504		52,019
Income taxes-deferred		(61,639)		(6,998)
Total income taxes		(19,135)		45,020
Profit (loss) attributable to owners of parent		93,971		83,616

Schedule of cost of sales

Category	No. in Notes	Prior fiscal year (From April 1, 2016 to March 31, 2017) Amount (Thousands of yen)		Composition ratio (%)	Current fiscal year (From April 1, 2017 to March 31, 2018) Amount (Thousands of yen)		Composition ratio (%)
1 Cost of goods sold							
Beginning goods		413,515			452,395		
Cost of purchased goods		1,993,584			1,672,355		
Total		2,407,099			2,124,750		
Transfer to other account	*1	8,803			5,799		
Ending goods		452,395	1,945,900	77.1	397,065	1,721,885	73.1
2 Rent cost and service cost							
Taxes and dues	*2	152,502			152,535		
Depreciation		384,059			436,873		
Other cost		42,814	579,376	22.9	42,674	632,083	26.9
Total cost of sales			2,525,277	100.0		2,353,968	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, 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

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(2,995,536)	(2,620,536)	(7,138)	(624,299)
Changes of items during period									
Profit						83,616	83,616		83,616
Purchase of treasury shares								(68)	(68)
Reversal of revaluation reserve for land									—
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	83,616	83,616	(68)	83,548
Balance at end of current period	1,500,000	503,270	104	503,375	375,000	(2,911,919)	(2,536,919)	(7,206)	(540,750)

	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	(8,352)	445	4,993,002	4,985,095	622	4,361,418
Changes of items during period						
Profit (loss)						83,616
Purchase of treasury shares						(68)
Reversal of revaluation reserve for land						—
Net changes of items other than shareholders' equity	13,433	(527)	—	12,906	3,641	16,548
Total changes of items during period	13,433	(527)	—	12,906	3,641	100,096
Balance at end of current period	5,081	(82)	4,993,002	4,998,001	4,264	4,461,515

[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.

   (Changes in accounting estimates)
   Following the decision made during the current fiscal year to implement expansion of floor space and renovation of commercial facilities, useful lives of non-current assets were shortened and the changes will continue to be adopted in the future.
      As a result, operating income, ordinary income and profit before income taxes for the fiscal year ended March 31, 2018 decreased by ¥53,065 thousand, respectively, compared with figures under the previous method.

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
Forward exchange contracts	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.

(Additional information)

Additional information is omitted, since the same details are stated in "Notes to Consolidated Financial Statements (Additional information)."

(For non-consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Buildings and structures	6,122,095	5,824,612
Land	9,154,474	9,018,474
Total	15,276,570	14,843,087

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Short-term loans payable	338,400	399,400
Other current liabilities (current portion of guarantee deposits received)	61,436	61,436
Long-term loans payable	8,807,800	8,469,400
Long-term guarantee deposited	742,530	681,093
Total	9,950,167	9,611,330

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Merchandise	452,395	397,065

*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, 2017)	Current fiscal year (As of March 31, 2018)
Short-term credits	15,763	20,608
Long-term credits	208,982	184,200
Short-term debits	87,229	11,174
Long-term debits	999,182	993,378

4 Discounted notes receivables (Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Discounted notes receivables	10,000	5,000

5. Notes matured as of the end of the fiscal year are settled on their clearing days.

As the end of the current consolidated fiscal year fell on a bank holiday, following notes maturing at the end of the current consolidated fiscal year are included in the balance at the end of the fiscal year.

(Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Notes receivable-trade	—	4,308
Notes payable-trade	—	37,346

6 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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Balance of operating transactions		
Net sales	1,232,716	1,292,186
Cost of sales	129,063	113,854
Balance of non-operating transactions	8,428	6,423

*2 Ratio of expenses under selling expenses is 37% and 43% for the prior fiscal year and current fiscal year, respectively. Ratio of expenses under general and administrative expenses is 63% and 57% 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, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Salaries	263,635	238,853
Provision for bonuses	24,570	27,620
Retirement benefit expenses	13,247	21,829
Depreciation	12,255	13,101
Provision of allowance for doubtful accounts	(6,521)	(1,692)
Provision for shareholder benefits	16,338	21,000

(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, 2017)	Current fiscal year (As of March 31, 2018)
Subsidiaries' shares	30,000	30,000
Affiliates' shares	36,656	36,656
Investments in capital of subsidiaries and associates	37,973	37,973
Total	104,629	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, 2017)	Current fiscal year (As of March 31, 2018)
Deferred tax assets:		
Loss on valuation of inventories	24,274	27,721
Provision for bonuses	7,582	8,457
Net operating loss brought forward	41,179	26,192
Other	16,213	14,707
Total gross deferred tax assets	89,249	77,079
Valuation allowance	(30,939)	(28,012)
Net deferred tax assets	58,310	49,067
Deferred tax liabilities:		
Deferred gains or losses on hedges	(198)	—
Total gross deferred tax liabilities	(198)	—
Net deferred tax assets	58,111	49,067

(2) Non-current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Deferred tax assets:		
Loss on valuation of shares of subsidiaries and associates	3,062	3,062
Impairment loss	36,780	36,714
Allowance for doubtful accounts	84,891	82,459
Provision for retirement benefits	74,728	76,893
Net operating loss brought forward	879,573	847,690
Valuation difference on available-for-sale securities	2,557	—
Other	14,214	31,809
Total gross deferred tax assets	1,095,808	1,078,629
Valuation allowance	(1,091,892)	(1,059,199)
Net deferred tax assets	3,915	19,429
Deferred tax liabilities:		
Property, plant and equipment (asset retirement expense)	(4,993)	(4,229)
Valuation difference on available-for-sale securities	—	(2,242)
Total gross deferred tax liabilities	(4,993)	(6,471)
Net deferred tax liabilities	(1,077)	12,958
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,211,637)	(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, 2017)	Current fiscal year (As of March 31, 2018)
Statutory tax rate	30.9%	30.9%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	12.3%	16.3%
Foreign withholding tax	29.1%	—%
Inhabitant tax on per capita basis	6.4%	3.7%
Change in valuation allowance	(105.6%)	(23.6%)
Income taxes for prior periods	—	8.3%
Other	1.3%	(0.6%)
Effective tax rates after adoption of tax-effect accounting	(25.6%)	35.0%

(Significant subsequent events)

Significant subsequent events are omitted, since the same details are stated in “Notes to Consolidated Financial Statements

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	6,058,564	164,761	—	280,409	5,842,916	6,412,832
Structures	109,807	—	—	26,419	83,387	835,843
Machinery and equipment	4,202	—	—	—	4,202	79,842
Tools, furniture and fixtures	24,765	23,873	—	13,800	34,838	325,322
Land	9,549,562 [7,204,639]	—	15,685	—	9,533,876 [7,204,639]	—
Leased assets	171,017	—	—	25,032	145,985	318,695
Construction in progress	—	253,138	203,458		49,680	—
Total property, plant and equipment	15,917,920 [7,204,639]	441,773	219,143	445,662	15,694,887 [7,204,639]	7,826,549
Intangible assets						
Software	7,479	2,661	—	3,467	6,673	17,319
Other	1,574	—	—	295	1,278	2,649
Total intangible assets	9,053	2,661	—	3,762	7,952	19,969

Notes: 1. The increase in buildings in the current fiscal year is primarily due to partial renovation of a commercial facility in the Mishima area.
2. The increase in tools, furniture and fixtures in the current fiscal year is primarily due to purchase of systems for a commercial facility in the Mishima area.
3. The decrease in land in the current fiscal year is due to sale of idle assets.
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	Balance at the end of the current fiscal year
Allowance for doubtful accounts	277,242	950	7,942	270,250
Provision for bonuses	24,570	27,620	24,570	27,620
Provision for shareholder benefits	16,338	21,000	16,338	21,000

(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	100 shares
Repurchase of stocks of less than a standard unit Address where repurchases are processed Administrator of shareholders' register Offices available for repurchase Charges for repurchase	 (Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited. (Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited. — 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 for special benefits as follows, according to the number of shares held. 100 shares or more but fewer than 1,000 shares A single-use discount coupon for products handled on the Company's EC site 1,000 shares or more but fewer than 2,000 shares 1) QUO cards worth 2,000 yen 2) A single-use discount coupon for products handled on the Company's EC site 2,000 shares or more 1) QUO cards worth 4,000 yen 2) A single-use discount coupon for products handled on the Company's EC site (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 for special benefits as follows, according to the number of shares held. 100 shares or more but fewer than 1,000 shares A single-use discount coupon for products handled on the Company's EC site 1,000 shares or more but fewer than 2,000 shares 1) QUO cards worth 3,000 yen 2) A single-use discount coupon for products handled on the Company's EC site 2,000 shares or more 1) QUO cards worth 5,000 yen 2) A single-use discount coupon for products handled on the Company's EC site

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 197th Fiscal Year (from April 1, 2016 to March 31, 2017)
Submitted to the Director of the Kanto Local Finance Bureau on June 27, 2017.

(2) Internal Control Report and Accompanying Documents
Submitted to the Director of the Kanto Local Finance Bureau on June 27, 2017.

(3) Quarterly Securities Reports and Confirmation Notes
The 1st Quarter of 198th Fiscal Year (from April 1, 2017 to June 30, 2017)
Submitted to the Director of the Kanto Local Finance Bureau on August 10, 2017.
The 2nd Quarter of 198th Fiscal Year (from July 1, 2017 to September 30, 2017
Submitted to the Director of the Kanto Local Finance Bureau on November 8, 2017.
The 3rd Quarter of 198th Fiscal Year (from October 1, 2017 to December 31, 2017)
Submitted to the Director of the Kanto Local Finance Bureau on February 8, 2018.

(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 28, 2017.

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, 2018

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, 2018 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, 2017 to March 31, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As discussed in Additional information of Notes to the consolidated financial statements, at the Board of Directors held on March 28, 2018, the Company resolved to conduct a construction to expand and renovate the SUN TO MOON Kakitagawa commercial facility (Shizuoka Prefecture).
2. As discussed in Additional information of Notes to the consolidated financial statements, pursuant to the resolution by the Board of Directors on March 28, 2018, the Company concluded a syndicate loan contract with Mizuho Bank, Ltd. as the arranger.
3. As discussed in Significant subsequent events of Notes to the consolidated financial statement, at a meeting of its Board of Directors held on March 28, 2018, the Company decided to propose a reduction of capital stock, legal capital surplus and legal retained earnings as well as appropriation of surplus to the Annual General Meeting of Shareholders to be held on June 27, 2018, and the proposal was approved at the said general meeting of shareholders.
4. As discussed in Significant subsequent events of Notes to the consolidated financial statement, at the Board of Directors held on June 15, 2018, the Company resolved to change the schedule of the basic agreement on the partial acquisition of WATEX Co., Ltd., concluded as of March 28, 2018

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, 2018.

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, 2018 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, 2018

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 198th fiscal year from April 1, 2017 to March 31, 2018, 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, 2018, and its financial performance for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As discussed in Additional information of Notes to the consolidated financial statements, at the Board of Directors held on March 28, 2018, the Company resolved to conduct a construction to expand and renovate the SUN TO MOON Kakitagawa commercial facility (Shizuoka Prefecture).
2. As discussed in Additional information of Notes to the consolidated financial statements, pursuant to the resolution by the Board of Directors on March 28, 2018, the Company concluded a syndicate loan contract with Mizuho Bank, Ltd. as the arranger.
3. As discussed in Significant subsequent events of Notes to the consolidated financial statement, at a meeting of its Board of Directors held on March 28, 2018, the Company decided to propose a reduction of capital stock, legal capital surplus and legal retained earnings as well as appropriation of surplus to the Annual General Meeting of Shareholders to be held on June 27, 2018, and the proposal was approved at the said general meeting of shareholders.

4. As discussed in Significant subsequent events of Notes to the consolidated financial statement, at the Board of Directors held on June 15, 2018, the Company resolved to change the schedule of the basic agreement on the partial acquisition of WATEX Co., Ltd., concluded as of March 28, 2018

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.