Financial Information as of March 31, 2019

(The English translation of the
"Yukashoken-Houkokusho" for
the year ended March 31, 2019)

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
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【Business Year】	199th Fiscal Year (From April 1, 2018 to March 31, 2019)
【Company Name】	Daitobo Kabushiki Kaisha
【Company Name (in English)】	Daitobo Co., Ltd.
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Part I Information on the Company

1. Overview of the Company

1. Key financial data and trends

(1) Consolidated financial data

Fiscal year		195th	196th	197th	198th	199th
Year ended		March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Net sales	Thousands of yen	5,937,473	5,407,011	4,701,997	4,427,778	4,496,789
Ordinary income (loss)	Thousands of yen	(519,849)	74,797	267,602	153,946	236,704
Profit (loss) attributable to owners of parent	Thousands of yen	(644,117)	124,831	156,079	103,788	294,872
Comprehensive income	Thousands of yen	(279,051)	149,864	28,755	117,773	(191,021)
Net assets	Thousands of yen	4,150,472	4,300,315	4,329,588	4,450,935	4,308,418
Total assets	Thousands of yen	20,405,300	18,996,244	19,093,785	18,888,855	20,853,062
Net assets per share	Yen	138.65	143.66	144.63	148.56	143.76
Basic earnings (loss) per share	Yen	(21.52)	4.17	5.21	3.47	9.86
Diluted earnings per share	Yen	—	—	5.21	3.46	9.82
Equity ratio	%	20.3	22.6	22.7	23.5	20.6
Rate of return on equity	%	(15.0)	3.0	3.6	2.4	6.7
Price earnings ratio	Times	(3.4)	14.4	14.0	30.5	8.0
Cash flows from operating activities	Thousands of yen	92,427	(229,557)	528,592	559,135	375,151
Cash flows from investing activities	Thousands of yen	(127,119)	50,264	343,770	(86,777)	(1,796,948)
Cash flows from financing activities	Thousands of yen	(27,045)	(52,686)	109,641	(363,993)	1,370,081
Cash and cash equivalents at end of the period	Thousands of yen	919,966	687,297	1,668,446	1,777,319	1,725,283
Employees (the average number of part-time employees not included)	Persons	102 (70)	101 (35)	101 (7)	103 (4)	109 (3)

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

3. With the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 199th fiscal year, the key financial data for the 198th fiscal year is that for which the said accounting standards, etc. have been retroactively applied.

(2) Non-consolidated financial data

Fiscal year		195th	196th	197th	198th	199th
Year ended		March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Net sales	Thousands of yen	5,075,136	4,265,457	3,705,812	3,453,186	3,445,065
Ordinary income (loss)	Thousands of yen	(755,331)	38,532	153,501	128,637	204,443
Profit (loss)	Thousands of yen	(769,940)	238,438	93,971	83,616	270,229
Capital stock	Thousands of yen	1,500,000	1,500,000	1,500,000	1,500,000	100,000
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	3,940,439	4,250,889	4,361,418	4,461,515	4,255,336
Total assets	Thousands of yen	19,139,378	18,524,091	18,653,452	18,480,826	20,347,885
Net assets per share	Yen	131.64	142.01	145.69	148.92	141.81
Cash dividends per share (Interim cash dividends included herein)	Yen	— (—)	— (—)	— (—)	— (—)	— (—)
Basic earnings (loss) per share	Yen	(25.72)	7.97	3.14	2.79	9.03
Diluted earnings per share	Yen	—	—	3.14	2.79	8.99
Equity ratio	%	20.6	22.9	23.4	24.1	20.9
Rate of return on equity	%	(18.4)	5.8	2.2	1.9	6.2
Price earnings ratio	Times	(2.8)	7.5	23.2	38.0	8.7
Dividend payout ratio	%	—	—	—	—	—
Employees (the average number of part-time employees not included)	Persons	46 (9)	51 (5)	50 (4)	49 (2)	58 (1)
Total shareholder return (comparative indicator: TOPIX including dividends)	% %	100.0 (130.7)	82.2 (116.5)	100.0 (133.7)	145.2 (154.9)	108.2 (147.1)
Highest share price	Yen	80	97	80	141	110
Lowest share price	Yen	66	55	56	67	70

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

2. 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. Diluted earnings per share for the 196th fiscal year are not presented because the Company had no securities with dilutive effects.

3. Highest share prices and lowest share prices are those on the First Section of the Tokyo Stock Exchange.

4. With the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 199th fiscal year, the key financial data for the 198th fiscal year is that for which the said accounting standards, etc. have been retroactively applied.

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
August 2018	Reduced capital stock from ¥1,500 million to ¥100 million
March 2019	Took over part of the health care business of WATEX Co., Ltd.

3. Description of business

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

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

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

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

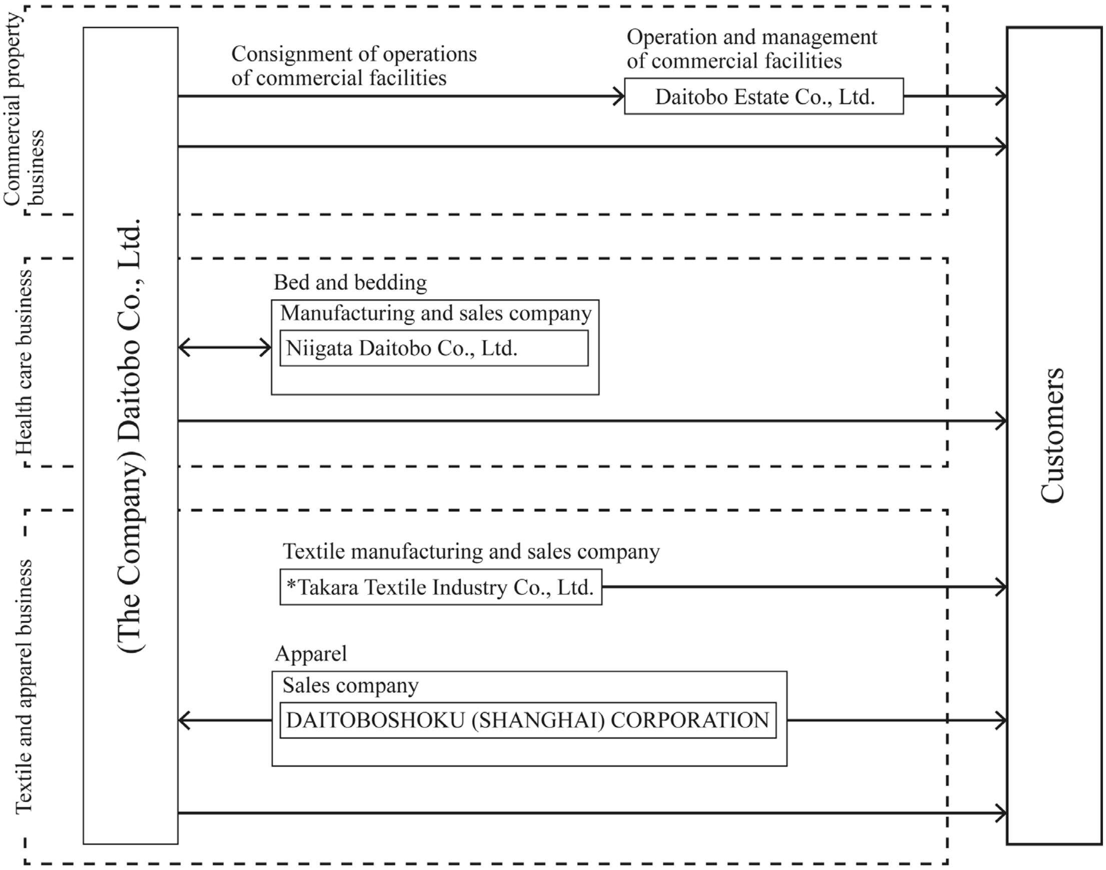
The Group outsources certain processing operations.

(3) Textile and apparel business

Apparel section	The section where the apparel purchased by a subsidiary DAITOBOSHOKU (SHANGHAI) CORPORATION is sold to the Company or externally.
Uniform section	The section where the Company sells uniforms.
Textile section	The section where the Company and an affiliate Takara Textile Industry Co., Ltd. sell fiber materials, etc.

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

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



* Affiliates 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
(Affiliated company accounted for by the equity method) Takara Textile Industry Co., Ltd.	Kita-ku, Hamamatsu, Shizuoka	Thousands of JPY 12,000	Textile and apparel business	39.5	Sells fiber materials

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	¥ 2,079,928 thousand
2) Ordinary income	¥ 17,550 thousand
3) Profit	¥ 10,513 thousand
4) Net assets	¥ 224,993 thousand
5) Total assets	¥ 1,556,692 thousand

5. Employees

(1) Consolidated companies

(As of March 31, 2019)

Name of segment	Number of employees
Commercial property business	31 (—)
Health care business	41 (3)
Textile and apparel business	17 (—)
Subtotal of reportable segments	89 (3)
Corporate (common)	20 (—)
Total	109 (3)

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, 2019)

Number of employees	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)
58 (1)	48.1	13.7	5,519

Name of segment	Number of employees
Commercial property business	3 (—)
Health care business	21 (1)
Textile and apparel business	14 (—)
Subtotal of reportable segments	38 (1)
Corporate (common)	20 (—)
Total	58 (1)

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 6% or above” and “net debt-to-equity ratio (Net DER) of 170% 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 thanks to an accommodative financial environment and government economic measures. However, we consider that it is necessary to pay attention to the uncertainty of such factors as dramatic market changes following the advance in the fourth industrial revolution, international trade frictions and overseas political and economic trends.

Under these circumstances, the Company launched the “Get Ahead of the Future” Mid-term Management Policy for the five years from April 2018 and has been implementing the following management strategies.

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. We are currently pushing forward with expansion of floor space and renovation (the 4th stage development) of the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, in accordance with the plan. Going forward, we will properly address various issues, including preparations for opening, operation after the opening and measures to compete with surrounding markets.

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 creating shared value (CSV), and creation of values through value chain. 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.

On March 29, 2019, we completed the partial acquisition of the healthcare business, which we disclosed in March 2018. Going forward, we will promote the expansion of the business scale by strengthening the in-house structure to maximize integration effect of the acquired 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. Meanwhile, we are borrowing additional funds in order to work preferentially on growth investments. Going forward, we will strive to strengthen financial management more than ever by managing loans payable for growth investments and securing free cash flows while steadily reducing existing loans payable. Through these efforts, we will steadily increase internal reserves to set a target on the resumption of dividends during the period of the Mid-term Management Policy without fail.

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 continue to 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 implementation of the development work at the SUN TO MOON Kakitagawa commercial property and other factors was ¥10,812 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, 2019 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 recover moderately due to improvement in the employment and income environment and the effects of various government economic measures. However, attention needed to be paid to future business trends, as rises in some commodity prices were delayed in Japan and the concerns over trade frictions prevailed overseas.
Under these circumstances, the Group earnestly worked on measures based on the "Get Ahead of the Future" Mid-term Management Policy," launched in the fiscal year under review.
In the commercial property business, the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, continued to perform favorably. As part of the expansion of floor space and renovation of the SUN TO MOON Kakitagawa (the 4th stage development), we opened the annex building. Construction of the new building is currently underway according to the plan. In the health care business, we focused on planning, manufacturing and sales of products related to the health business, which enjoyed solid demand, and completed acquisition of the health care business at the end of the fiscal year under review and embarked on marketing activities toward the next fiscal year. In the textile and apparel business, we continued to strive to improve profitability amid tough game in terms of volume due to the harsh market conditions of apparel.
As a result, net sales of the Group for the year ended March 31, 2018 totaled ¥4,496 million (increased by 1.6% from the prior fiscal year), the first increase in net sales in six fiscal years. Coupled with improvement in profitability, operating income was ¥327 million (increased by 0.6% from the prior fiscal year), despite construction expenses associated with the 4th stage development of the commercial property business and one-time expenses pertaining to the execution of a syndicate loan. Ordinary income, which took into consideration such non-operating income and expenses as receipt of compensation for relocation and interest expenses, was ¥236 million (increased by 53.8% from the prior fiscal year), marking a year-on-year increase. Taking into account tax burden such as income tax, etc. that considered improvement in tax expenses following the reduction of capital stock, profit attributable to owners of parent was ¥294 million (increased by 184.1% from the prior fiscal year), also marking a year-on-year increase.
To supplement the comparison with targets of the Mid-term Management Policy, the targets set for the fiscal year under review, the first year of the policy, were revised upward in November 2018. Compared with the revised policy, net sales were 5.3% lower than the plan since the textile and apparel business failed to achieve its target, while operating income was 9.0% lower than the plan partly due to unplanned inventory disposal. Ordinary income was, however, 18.4% higher than the plan due to factors including receipt of compensation for relocation and reduction of interest expenses. Taking into account tax burden such as income tax including tax effect, profit attributable to owners of parent was 28.2% higher than the plan.

The operating results by reportable segments are summarized as follows:

(Commercial property business)
In the commercial property business, sales increased year-on-year due to favorable performance of amusement, etc. at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture. Operating income increased year-on-year thanks to efforts to reduce expenses, despite a burden of depreciation and posting of dismantling expenses pertaining to the 4th stage development.
As a result, net sales in the commercial property business totaled ¥2,327 million (increased by 0.5% from the prior fiscal year), and operating income amounted to ¥861 million (increased by 5.5% from the prior fiscal year).

(Health care business)
In the health care business section, sales increased year-on-year due to growth of health bedding, including those related

to far-infrared ray. In the general bed and bedding section, sales grew year-on-year due to the effect of proposal-based marketing. In terms of profit and loss, operating income was up year-on-year due to effect of increased sales and improvement in profitability.
As a result, net sales in the health care business totaled ¥832 million (increased by 10.9% from the prior fiscal year), and operating loss amounted to ¥29 million (compared with the operating loss of ¥51 million in the prior fiscal year).

(Textile and apparel business)
In the textile and apparel section, sales were down year-on-year due to the harsh condition of the domestic apparel market, despite strong sales in China. In the uniform section, sales were down year-on-year partly due to lack of expected growth in sales over the end of the fiscal year from the public sector. Operating income decreased year-on-year due to decreased sales as well as posting of loss associated with inventory disposal.
As a result, net sales in the textile and apparel business for the current fiscal year totaled ¥1,336 million (decreased by 1.9% from the prior fiscal year). Operating loss amounted to ¥24 million (compared with the operating loss of ¥2 million in the prior fiscal year).

(Status of financial position)
The balance of total assets as of the end of the current fiscal year increased by ¥1,964 million from the end of the prior fiscal year to ¥20,853 million (¥18,888 million for the prior fiscal year). This was mainly due to an increase of ¥108 million in notes and accounts receivable-trade, an increase of ¥200 million in inventories, and an increase of ¥1,712 million in construction in progress.
The balance of liabilities as of the end of the current fiscal year increased by ¥2,106 million from the end of the prior fiscal year to ¥16,544 million (¥14,437 million as of the end of the prior fiscal year). This was mainly due to an increase of ¥1,975 million in short-term loans payable, a decrease of ¥158 million in long-term loans payable, and an increase of ¥264 million in deferred tax liabilities for land revaluation.
The balance of net assets as of the end of the current fiscal year decreased by ¥142 million from the end of the prior fiscal year to ¥4,308 million (¥4,450 million as of the end of the prior fiscal year). This was mainly due to an increase of ¥378 million in shareholders' equity, a decrease of ¥172 million in deferred gains or losses on hedges, and a decrease of ¥328 million in revaluation reserve for land.

2) Status of cash flows
Net cash provided by operating activities amounted to ¥375 million (decreased by 32.9% from the prior fiscal year). This was mainly attributable to recording of profit before income taxes of ¥236 million, depreciation of ¥451 million, an increase of ¥52 million in inventories, a decrease of ¥109 million in guarantee deposits received, interest paid of ¥119 million, and income taxes paid of ¥43 million.
Net cash used in investing activities amounted to ¥1,796 million (¥86 million used in the prior fiscal year). This was mainly due to ¥2,075 million in purchase of property, plant and equipment and intangible assets and ¥152 million in proceeds from sales of investments in capital.
Net cash provided by financing activities was ¥1,370 million (¥363 million used in the prior fiscal year). This was mainly attributable to ¥195 million in repayments of short-term loans payable, ¥2,276 million in proceeds from long-term loans payable, ¥598 million in repayments of long-term loans payable, and ¥25 million in repayments of lease obligations.
As a result of these activities, cash and cash equivalents decreased by ¥52 million (2.9%) from the end of the prior fiscal year to ¥ 1,725 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 ¥4,496 million, an increase of ¥69 million (1.6% year-on-year). Major factors were favorable performance of amusement, etc. at the SUN TO MOON Kakitagawa in the commercial property business and growth of health bedding, including those related to far-infrared ray, in the health care business.

ii. Cost of sales and selling, general and administrative expenses
Cost of sales for the current fiscal year was ¥3,313 million, an increase of ¥45 million (1.4% year-on-year), and its ratio for sales improved by 0.1 percentage point from 73.8% in the previous year to 73.7% in the term under review. Selling, general and administrative expenses for the current fiscal year were ¥855 million, an increase of ¥21 million (2.6% year-on-year). The major factor affecting the cost of sales was an increase in depreciation following the 4th stage development, and the major factor affecting selling, general and administrative expenses was one-time expenses associated with the execution of a syndicate loan.

iii. Operating income and expenses
Net operating income for the current fiscal year amounted to ¥327 million, an increase of ¥2 million (0.6% year-on-year) from the prior fiscal year. This was mainly due to an increase in gross profit resulting from improvement of the sales cost ratio, despite an increase in selling, general and administrative expenses.

iv. Non-operating income and expenses
Non-operating income for the current fiscal year amounted to ¥62 million, an increase of ¥26 million (75.6% year-on-year). Non-operating expenses amounted to ¥153 million, a decrease of ¥53 million (26.0% year-on-year). As a result, net non-operating loss amounted to ¥90 million, an improvement of ¥80 million from the prior fiscal year. This result was mainly due to receipt of compensation for relocation and not posting compensation expenses, which were recorded in the prior fiscal year.

v. Profit or loss before income taxes
Profit before income taxes for the current fiscal year increased by ¥82 million (53.8% year-on-year) from the prior fiscal year to ¥236 million. This was due to improvements of ¥2 million and ¥80 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 increased by ¥191 million (184.1% year-on-year) from the prior fiscal year to ¥294 million. This result was mainly due to an increase of ¥82 million in profit before income taxes and a decrease of ¥108 million in tax expenses.

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 ¥10,812 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

(1) 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.

(2) Business acquisition contract

At a meeting of its Board of Directors heled on March 8, 2019, the Company made a resolution on a business transfer contract, under which it will take over the health care business of WATEX Co., Ltd., and concluded a business transfer contract as of the same date. The business was transferred on March 29, 2019.

Details are described in “5. Financial Information 1. Consolidated Financial Statements (1) Consolidated financial statements [Notes to Consolidated Financial Statements] (Business combinations).

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 ¥2,281 million. By segment, ¥2,076 million went into the commercial property business and ¥202 million into the health care business and ¥1 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, 2019)

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	14,362	—	— (—)	416	4,043	18,822	20 (–) 3 (–) 7 (–) 12 (–)
SUN TO MOON Kakitagawa, etc. (Shimizu-cho, Sunto-gun, Shizuoka)	Commercial property business	Commercial facilities, etc. (Note 2)	5,777,510	—	8,848,784 (92,018)	121,244	19,926	14,767,467	28 (–)

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 (–) 3 (–) 7 (–) 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	1,994,887	Borrowings	April, 2018	September, 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, 2019	As of June 25, 2019 (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	July 25, 2018
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	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)	81 (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)	Common stock 81,000 (Note 1)
Amount to be subscribed upon the exercise of stock acquisition rights (yen) *	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights *	December 5, 2019 – December 4, 2024	September 20, 2020 – September 19, 2025	August 20, 2021 – August 19, 2026
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)	Issue price 96 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, 2019) are presented. There were no changes in these matters as of the end of the previous month (May 31, 2019) 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 right cannot be exercised.
    (2) Other conditions for exercise shall be set forth in the stock acquisition rights allocation agreement concluded between the Company and each holder of the stock acquisition rights based on the resolution of the Board of Directors of the Company.
4. In the event that the Company experiences a merger (only if the Company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split(in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above e acquisition rights of the reorganized company vents hereinafter collectively referred to by the general term "structural reorganization"), then the holders of stock acquisition rights remaining at the time the structural reorganization takes effect (on the day on which absorption-type company split takes effect for absorption-type company split, the day on which a new company is established through split for incorporation-type company split, the day on which stock swap takes effect for stock swap. the day on which the wholly owning parent company is incorporated through the transfer of shares for the transfer of shares) shall be provided with stock acquisition rights based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) – (e) of the Corporation Law of Japan. However, the stock acquisition rights shall be granted only if provisions for issuing the acquisition rights of the reorganized company are included in the absorption merger agreement, new establishment merger agreement, merger and spin-off agreement, new spin-off plan, share exchange agreement or share transfer agreement in accordance with the items below.
    (1) The number of stock acquisition rights of the reorganized company to be issued
    The number of stock acquisition rights offered shall be the same as the number of remaining stock acquisition rights possessed by the holder of the remaining stock subscription rights.
    (2) Type of shares of the reorganized company to be issued upon the exercise of stock acquisition rights
    Common stock of the reorganized company
    (3) Number of shares of the reorganized company to be issued upon the exercise of stock acquisition rights
    To be decided in the same manner as Note 1 above and in consideration of the conditions of the reorganization action, etc.
    (4) The value of assets to be contributed upon the exercise of the stock acquisition rights
    The value of assets to be contributed at exercise of each stock acquisition right shall be calculated by multiplying the exercise price after the organizational restructure as set forth in the following by the number of shares to be issued upon the exercise of stock acquisition rights of the reorganized company to be decided in accordance with (3) above. As for the exercise price after the organizational restructure, the amount to be paid in upon exercise of each stock acquisition right shall be one yen per share of the reorganized company.
    (5) The period for exercising stock acquisition rights
    The period shall commence on the starting day of the period for exercising the stock acquisition rights or the day when the reorganization action comes into effect, whichever is later, and end on the day of expiration of the period during which a stock acquisition right may be exercised.
    (6) Matters regarding capital and capital reserve that shall be increased when shares are issued upon the exercise of the stock acquisition rights

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

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

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

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

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

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)
August 31, 2018 (Note)	—	30,000,000	(1,400,000)	100,000	(503,270)	—

Note: Pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, capital stock and legal capital surplus were reduced. The amount reduced from capital stock and legal capital surplus was transferred to retained earnings.

(5) Details of shareholders

(As of March 31, 2019)

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	86	25	11	10,057	10,228	—
Number of shares held (Units)	—	26,487	13,427	27,327	6,566	77	225,954	299,838	16,200
Shareholding Ratio (%)	—	8.83	4.48	9.11	2.19	0.03	75.36	100.00	—

Notes: 1. Treasury stock of 68,749 shares are included in "Individuals and other" at 687 units, and in "Stocks of less than a standard unit" at 49 shares.
2. "Other corporations" include 70 units held under the name of Japan Securities Depository Center, Incorporated.

(6) Principal shareholders

(As of March 31, 2019)

Name	Address	Number of shares held (Thousands)	Number of shares held as a percentage of total shares issued (%)
First Brothers Co., Ltd.	2-4-1 Marunouchi, Chiyoda-ku, Tokyo	682	2.27
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11 Harumi, Chuo-ku, Tokyo	614	2.05
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
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	431	1.43
SBI SECURITIES Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	388	1.29
Japan Trustee Services Bank, Ltd. (Trust account 2)	1-8-11 Harumi, Chuo-ku, Tokyo	344	1.15
Rakuten Securities, Inc.	1-14-1 Tamagawa, Setagaya-ku, Tokyo	320	1.07
Shinyo Co., Ltd.	4-3-5 Nihonbashi-Muromachi, Chuo-ku, Tokyo	280	0.93
Kazuhiro Igarashi	Shibuya-ku, Tokyo	280	0.93
Total	—	4,341	14.50

Note: Of the above shareholdings, those held by trust banks are as follows.
The Master Trust Bank of Japan, Ltd. (Trust account) 375 thousand shares

(7) Status of voting rights

1) Shares issued

(As of March 31, 2019)

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 68,700	—	—
	(Crossholding stock) Common stock 93,000	—	—
Shares with full voting rights (Others)	Common stock 29,822,100	298,221	—
Stocks of less than a standard unit	Common stock 16,200	—	—
Total shares issued	30,000,000	—	—
Total voting rights held by all shareholders	—	298,221	—

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, 2019)

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	68,700	—	68,700	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	—	161,700	—	161,700	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	150	13,500
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, 2019 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	68,749	—	68,749	—

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, 2019 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. Status of corporate governance

(1) Summary of the Company's corporate governance

1) 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.

2) Summary of the Company's corporate governance system and reason for adopting the said system

(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.

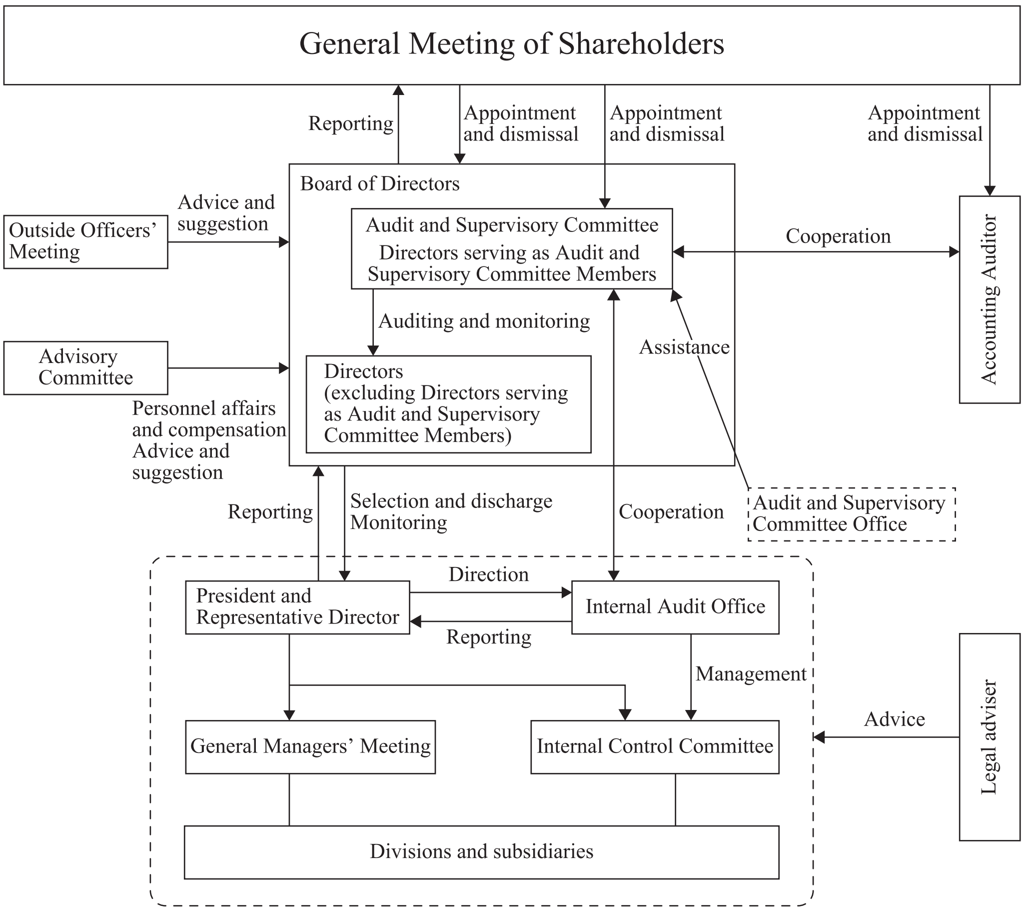
(General Managers' Meeting)

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.

(Reason for adopting the said 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.

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



3) Other matters related to corporate governance

(Status of the Company' 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.

(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.

4) 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.

5) 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).

6) 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.

7) 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.

8) 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) Members of the Board of Directors and Statutory Auditors

1) List of Board of Directors and Statutory Auditors

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

Function and 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 February 2002 January 2004 January 2007 June 2009 August 2010 June 2012 July 2013 June 2015	Joined Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited) General Manager, Personnel Planning Dept. of Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited) General Manager, Osaka Branch Business Dept. II General Manager, Shinjuku Nishiguchi Branch Director and General Manager, Corporate Planning Division of the Company Managing Director and General Manager, Business Management Headquarters, General Manager, Corporate Planning Division Senior Managing Director and General Manager, Business Management Headquarters, Deputy General Manager, Real Estate Headquarters, in charge of internal control Director and Senior Managing Executive Officer, General Manager, Business Management Headquarters, General Manager, Personnel Division, in charge of business strategy and internal control President and Representative Director (current post) Chairman and Chief Executive Officer of DAITOBOSHOKU (SHANGHAI) CORPORATION (current post)	(Note 2)	65,600
Vice President and Representative Director General Manager, Health Care Business Headquarters	Toshiyasu Nomura (February 27, 1952)	March 1974 April 2002 April 2004 May 2005 May 2007 October 2011 June 2012 June 2013 February 2014 June 2014 April 2015 November 2017	Joined the Company General Manager, Functional Textile Business Division Deputy General Manager, Textile Business Headquarters President and Director of Niigata Daitobo Co., Ltd. President and Director of Daitobo Shinso Co., Ltd. General Manager, Functional Textile Sales Division, Sales Headquarters Director and General Manager, Functional Textile Sales Division, Sales Headquarters Vice President and Director Vice President and Director General Manager, Health Care Business Headquarters Vice President and Representative Director General Manager, Health Care Business Headquarters Vice President and Representative Director Health Care Business and Textile and Apparel Business Management Vice President and Representative Director General Manager, Health Care Business Headquarters Textile and apparel Business Management (current post)	(Note 2)	53,700
Director Senior Executive Officer, General Manager, Business Management Headquarters	Shogo Mieda (February 12, 1969)	April 1990 September 2010 June 2012 June 2015 June 2019	Joined the Company Accounting Group Leader, Administration Division General Manager, Corporate Planning Division, Business Management Headquarters Director and Executive Officer, General Manager, Business Management Headquarters, in charge of internal control Director and Senior Executive Officer, General Manager, Business Management Headquarters, in charge of internal control (current post)	(Note 2)	16,800

Function and position	Name (Date of birth)	Career summary		Term of office	Number of shares owned (Shares)
Director	Yasunobu Sawada (January 9, 1953)	April 1976 January 1989 October 1997 April 2002 July 2003 June 2015	Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare) Joined A.T. Kearney, Inc. (currently A.T. Kearney K.K.), assigned to Tokyo Office Director of Practice Management Executive Director of Enterprise IG Japan K.K. (currently Brand Union/WPP Group) Representative Director of VieBrand Consulting Inc. (current post) OutsideDirector of the Company (current post)	(Note 2)	—
Director (Audit and Supervisory Committee Member)	Yuji Kakuma (July 8, 1948)	April 1967 July 2006 June 2007 June 2008 August 2010 June 2012 June 2016	Joined the Company General Manager, Accounting Division Director and General Manager, Accounting Division Director and General Manager, Administration Division Director and General Manager, Administration Division, Business Management Headquarters Corporate Auditor Director (Audit and Supervisory Committee Member) (current post)	(Note 3)	77,000
Director (Audit and Supervisory Committee Member)	Haruki Iinuma (April 19, 1948)	April 1976 April 1978 June 2011 June 2016	Registered as an attorney Established IINUMA LAW OFFICE (current position) Corporate Auditor of the Company Director (Audit and Supervisory Committee Member) (current post)	(Note 3)	—
Director (Audit and Supervisory Committee Member)	Takashi Kagami (December 19, 1976)	September 2001 July 2005 August 2006 November 2013 June 2016 December 2017	Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Registered as a certified public accountant Joined Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (concurrent) Registered as a licensed tax accountant Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (current post) Director (Audit and Supervisory Committee Member) of the Company (current post) Representative Director of Takano Sogo Consulting Co. (current post)	(Note 3)	2,900
Director (Audit and Supervisory Committee Member)	Shusaku Okumura (June 16, 1952)	April 1977 April 2003 April 2006 April 2008 October 2010 April 2013 March 2016 June 2016	Joined Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited) General Manager, Nursing Care & Service Office of Mitsui Sumitomo Insurance Company, Limited President and Representative Director of American Appraisal Japan Co., Ltd. General Manager, Risk Management Division of Mitsui Sumitomo Insurance Company, Limited General Manager, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. Fixed-term employee, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. Retired from MS&AD Insurance Group Holdings, Inc. Director (Audit and Supervisory Committee Member) of the Company (current post)	(Note 3)	3,800
Total					219,800

Notes:
1. Messrs. Yasunobu Sawada, Haruki Iinuma, Takashi Kagami, and Shusaku Okumura are Outside Directors.
2. From the conclusion of the General Meeting of Shareholders held on June 25, 2019 to the conclusion of the General Meeting of Shareholders for the fiscal year ending in March, 2020.
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

2) Outside Directors

The Company has four (4) Outside Directors, and has registered all of them as independent officers. Of those Outside Directors, Messrs. Yasunobu Sawada and Haruki Iinuma have no conflicts of interest in terms of interpersonal, capital, transaction or any other relations with the Company. Mr. Takashi Kagami holds 2,900 shares of the Company, but has no other conflicts of interest in terms of interpersonal, capital, transaction or any other relations with the Company. Mr. Shusaku Okumura holds 3,800 shares of the Company, but has no other 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.

3) Mutual coordination among supervision or audits by the Board of Directors and internal audits, audits by the Audit and Supervisory Committee and accounting audit, and relationship between them and the internal control division

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.

(3) Audits

1) 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.

2) Internal audits

The Company has set up an Internal Audit Office directly under the President as the section responsible for internal controls. It comprises three (3) members: two (2) full-time and one (1) 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. 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) Accounting audits

a. Name of Audit Firm

Crowe Toyo & Co.

b. Certified public accountants who carried out auditing

Takeshi Tanaka

Hirokazu Osada
Hideho Tabe

c. Composition of personnel assisting
Assisting in the audit operations of the Company are twelve (12) personnel including certified public accountants. No conflict of interest in terms of interpersonal, capital or transaction relations exist with the certified public accountants and their assistants who carried out audit operations.

d. Policy on and reason for selection of the Accounting Firm
If the event that the Accounting Auditor falls under any of the items specified in Article 340, Paragraph 1 of the Companies Act., the Accounting Auditor will be dismissed based on the consent of all Audit and Supervisory Committee Members. In such a case, an Audit and Supervisory Committee Member designated by the Audit and Supervisory Committee will report the dismissal and the reason for the dismissal at the first general meeting of shareholders held after the dismissal of the Accounting Auditor.
In addition, the Audit and Supervisory Committee decides details of a proposal pertaining to dismissal or non-reappointment of the Accounting Auditor, which will be submitted to a general meeting of shareholders, in the event that it is judged, after confirming the compliance with the "Audit Standards" and "Standards for Quality Control of Audit Practices," stipulated by the Business Accounting Council, that it is difficult for the Accounting Auditor to properly perform its duties, or in a case where such dismissal or non-reappointment is judged to be necessary.
The Company selected Crowe Toyo & Co. after comprehensively considering its audit quality, independence, audit track records, etc. in the prior fiscal year and the Company's policy on deciding dismissal and non-reappointment of the Accounting Auditor.

e. Evaluation of the Audit Firm by Audit and Supervisory Committee Members and the Audit and Supervisory Committee
Audit and Supervisory Committee Members and the Audit and Supervisory Committee evaluate the audit firm. They set evaluation items concerning the audit firm based on the policy mentioned above and judge audit quality and independence.

4) Details of audit fee, etc.
a. 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	28,800	—	29,700	—
Consolidated subsidiaries	—	—	—	—
Total	28,800	—	29,700	—

b. 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.

c. Reason why the Audit and Supervisory Committee agreed to fees, etc. of the Accounting Auditor
After obtaining necessary materials and receiving reports from Directors, related departments of the Company and the Accounting Auditor, the Audit and Supervisory Committee confirmed changes in the number of hours taken by the audit process and audit fees, etc. in the past as well as the plan for and results of the number of hours taken by the audit process in the prior fiscal year, examined the appropriateness of the number of hours taken by the audit process and estimates of the fees for the fiscal year under review. As a result, the Audit and Supervisory Committee agreed to the amounts of fees, etc. of the Accounting Auditor.

(4) Compensation paid to Executives

1) Matters concerning policy on decision-making regarding remuneration, etc. levels for executives or calculation method thereof

The amount of remuneration to executives of the Company are decided within the framework set by resolutions of the General Meeting of Shareholders. It is decided after comprehensively considering titles, number of years of experience, performance, expectation for contributions, etc. of each executive and based on going rates, balance with those paid to other employees and other factors. In addition, the Company has introduced a stock option plan to reflect medium- and long-term corporate performance and latent risks in remuneration and to give executives an incentive for exerting sound entrepreneurship.

The resolution by the General Meeting of Shareholders of the Company pertaining to remuneration for executives was adopted on June 24, 2016. The resolution sets the upper limits of remuneration at ¥72,000 thousand (of which a remuneration within a range of up to ¥10,000 thousand for Outside Directors; does not include remuneration paid as employees) for Directors (excluding Audit and Supervisory Committee Members); and at ¥36,000 thousand for Directors (Audit and Supervisory Committee Members).

2) 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 and Outside Directors)	46,879	41,574	5,304	—	—	3
Audit and Supervisory Committee Members (excluding Outside Directors)	7,570	7,570	—	—	—	1
Outside Directors	20,747	20,747	—	—	—	4

3) 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).

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

Total Remuneration (Thousands of yen)	Number of Executives (Persons)	Description
9,375	1	Salaries for general managers of headquarters

5) Titles of the persons who have the authority to decide remuneration, etc., details of the authority and the scope of the discretion

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.

6) Details of activities of the Board of Directors of the Company in the process of deciding the amount of remuneration, etc. for the executives of the Company in the fiscal year under review

At its meeting held in June 2018, the Board of Directors deliberated and made decisions on basic remuneration of Directors on the basis of the opinions that had been reported at the Advisory Committee held in the same month. In addition, the Board of Directors also deliberated and made decisions on the number of stock options to be allotted to Directors (excluding Audit and Supervisory Committee Members and Outside Directors) at its meeting held in July 2018 on the basis of the opinions that had been reported at the Advisory Committee held in the same month.

(5) Status of stocks held

1) Standards for and ideas of classification of stocks for investment

The Company classifies stocks held for investment into: those held for the purpose of pure investment to gain income through fluctuations in value of stocks and receive dividends; and other stocks held for any purposes other than pure investment (cross-held stocks).

2) Stocks held for any purposes other than pure investment

a. Policy for holding stocks, method of verifying the rationality of holding and method of verifying the validity of holding each stock at the Board of Directors, etc.

The Company may hold cross-held stocks when it judges that such stocks will contribute to the medium- and long-term improvement of corporate value of the Company Group in consideration of maintenance and enhancement of long-term and stable relations with business partners and financial institutions as well as management strategies, business strategies, etc. of the Company. In such a case, acquisition of stocks whose value is more than a certain amount is specified as a matter that needs a resolution by the Board of Directors. Also, return and risks of each cross-held stock are carefully examined concerning the significance of holding it, whether the benefits and risks of holding it correspond to investment cost, return and risks involved, etc. and the results are reported every year at the Board of Directors. If the significance and effects of holding cross-held stocks are judged to be poor, the stocks will be sold properly by taking into account their prices, market trends and situations that should be considered.

b. Number of stocks and the amounts recorded in the balance sheet

	Number of stocks (stocks)	Total amounts recorded in the balance sheet (Thousands of yen)
Non-listed stocks	10	96,008
Stocks other than non-listed stocks	5	151,209

c. Number of shares held, amount recorded in the balance sheet, etc. of each specific stock for investment

Specific stocks for investment

Stocks	Current fiscal year Number of shares held by the Company (Shares) Amount recorded in the balance sheet (Thousands of yen)	Prior fiscal year Number of shares held by the Company (Shares) Amount recorded in the balance sheet (Thousands of yen)	Holding purpose, quantitative effect of holding and reason for increase in the number of shares	Whether the issuer of the shares holds shares of the Company (Yes/No)
THE SHIZUOKA BANK, LTD.	159,133	159,133	Maintain the trade relations, etc.	Yes
	134,149	160,087		
ENCHO Co., Ltd.	3,000	6,000	Maintain the trade relations, etc.	Yes
	2,793	2,640		
TOYOBO CO., LTD.	6,549	—	Maintain the trade relations, etc.	No
	9,268	—		
FRANCE BED CO., LTD.	3,251	—	Maintain the trade relations, etc.	No
	2,932	—		
YONDOSHI HOLDINGS INC.	991	—	Maintain the trade relations, etc.	No
	2,066	—		

Notes: 1. "—" indicates that the Company did not hold the stock.

2. Since it is difficult to describe the quantitative effect of holding specific stocks for investment, the Company hereby specifies the method used to verify the rationality of holding is described. The Company verifies the significance of cross-holding of individual cross-held stocks in each term. As a result of the verification with March 31, 2019 as the basis, we confirmed that the purpose and rationality of each stock cross-held by the Company are in line with the holding policy.

3) Stocks held for pure investment

Not applicable

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.”
Of the comparative information in the consolidated financial statements for the current fiscal year (from April 1, 2018 to March 31, 2019), information related to Article 15-5, Paragraph 2, Item 2 and Paragraph 3 of the same article of the Regulations on Consolidated Financial Statements, which have been revised in compliance with the “Cabinet Office Ordinance on Partial Amendments to the ‘Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements’” (Cabinet Office Ordinance No. 7, March 23, 2018; hereinafter, “Ordinance on Amendments”), is prepared as per pre-amendment Regulations on Consolidated Financial Statements in accordance with Article 3, Paragraph 2 of the Ordinance on Amendments.

(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”)
Of the comparative information in the non-consolidated financial statements for the current fiscal year (from April 1, 2018 to March 31, 2019), information related to Article 8-12, Paragraph 2, Item 2 and Paragraph 3 of the same article of the Regulations on Financial Statements, which have been revised in compliance with the Ordinance on Amendments, is prepared as per pre-amendment Regulations on Financial Statements in accordance with Article 2, Paragraph 2 of Amending Ordinance.
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, 2019(from April 1, 2018 to March 31, 2019) were audited by Crowe Toyo & Co., in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law.

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, 2018)		Current fiscal year (As of March 31, 2019)
Assets				
Current assets				
Cash and deposits		1,787,501		1,735,466
Notes and accounts receivable-trade	*7	543,261	*7	652,248
Inventories	*2	410,797	*2	610,845
Other		218,777		56,460
Allowance for doubtful accounts		(950)		(1,670)
Total current assets		2,959,388		3,053,350
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*1	5,924,700	*1	5,882,421
Land	*1, *5	9,331,375	*1, *5	9,268,089
Leased assets, net		144,967		121,661
Construction in progress		49,680	*1	1,762,651
Other, net		46,820		32,707
Total property, plant and equipment	*3	15,497,544	*3	17,067,530
Intangible assets				
Goodwill		–		200,114
Other		8,181	*4	4,162
Total Intangible assets		8,181		204,276
Investments and other assets				
Investment securities	*4	296,287	*1, *4	330,635
Claims provable in bankruptcy, claims provable in rehabilitation and other		88,518		87,808
Deferred Tax Asset		65,375		126,768
Other		58,659		67,135
Allowance for doubtful accounts		(85,100)		(84,442)
Total investments and other assets		423,741		527,904
Total non-current assets		15,929,467		17,799,711
Total assets		18,888,855		20,853,062

(Thousands of yen)

		Prior fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)
Liabilities				
Current liabilities				
Notes and accounts payable-trade	*7	504,597	*1, *7	577,915
Short-term loans payable	*1	399,400	*1	2,374,400
Income taxes payable		47,574		2,716
Provision for bonuses		35,412		34,308
Provision for shareholder benefits		21,000		28,000
Other	*1	638,704	*1	733,610
Total current liabilities		1,646,688		3,750,950
Non-current liabilities				
Long-term loans payable	*1	8,469,400	*1	8,311,000
Lease obligations		126,657		104,361
Long-term guarantee deposited	*1	1,663,472	*1	1,567,132
Deferred tax liabilities for land revaluation	*5	2,211,637	*5	2,476,495
Net defined benefit liability		266,374		280,991
Asset retirement obligations		53,689		53,712
Total non-current liabilities		12,791,231		12,793,693
Total liabilities		14,437,919		16,544,644
Net assets				
Shareholders’ equity				
Capital stock		1,500,000		100,000
Capital surplus		503,375		–
Retained earnings		(2,554,346)		(270,247)
Treasury shares		(7,206)		(9,781)
Total shareholders’ equity		(558,177)		(180,029)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		5,081		(18,461)
Deferred gains or losses on hedges		(82)		(172,806)
Revaluation reserve for land	*5	4,993,002	*5	4,664,864
Foreign currency translation adjustment		6,847		3,967
Total accumulated other comprehensive income		5,004,849		4,477,563
Stock acquisition rights		4,264		10,884
Total net assets		4,450,935		4,308,418
Total liabilities and net assets		18,888,855		20,853,062

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

Consolidated statement of income

(Thousands of yen)

		Prior fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)
Net sales		4,427,778		4,496,789
Cost of sales	*1	3,267,704	*1	3,313,581
Gross profit		1,160,074		1,183,208
Selling, general and administrative expenses	*2	834,424	*2	855,729
Operating income		325,650		327,478
Non-operating income				
Interest income		45		31
Dividends income		6,084		5,960
Share of profit of entities accounted for using equity method		—		3,968
Gain on sales of non-current assets		22,232		8,247
Transfer compensation		—		31,295
Other		7,321		13,140
Total non-operating income		35,683		62,644
Non-operating expenses				
Interest expenses		113,874		120,241
Commission for syndicate loan		57,166		27,061
Compensation expenses		29,000		—
Other		7,345		6,116
Total non-operating expenses		207,387		153,419
Ordinary income		153,946		236,704
Profit before income taxes		153,946		236,704
Income taxes-current		57,035		8,032
Income taxes-deferred		(6,876)		(66,201)
Total income taxes		50,158		(58,168)
Profit		103,788		294,872
Profit attributable to owners of parent		103,788		294,872

Consolidated statement of comprehensive income

(Thousands of yen)

	Prior fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Profit	103,788	294,872
Other comprehensive income		
Valuation difference on available-for-sale securities	13,433	(23,543)
Deferred gains or losses on hedges	(527)	(172,724)
Revaluation reserve for land	—	(286,747)
Foreign currency translation adjustment	1,079	(2,879)
Total other comprehensive income	* 13,985	* (485,894)
Comprehensive income	117,773	(191,021)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	117,773	(191,021)
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in equity

Prior 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					
Transfer to other capital surplus from capital stock					—
Deficit disposition					—
Profit attributable to owners of parent			103,788		103,788
Change of scope of equity method					—
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							
Transfer to other capital surplus from capital stock							—
Deficit disposition							—
Profit attributable to owners of parent							103,788
Change of scope of equity method							—
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

Current fiscal year (From April 1, 2018 to March 31, 2019)

(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	(2,554,346)	(7,206)	(558,177)
Changes of items during period					
Transfer to other capital surplus from capital stock	(1,400,000)	1,400,000			—
Deficit disposition		(1,903,375)	1,903,375		—
Profit attributable to owners of parent			294,872		294,872
Change of scope of equity method			44,459	(2,562)	41,896
Purchase of treasury shares				(13)	(13)
Reversal of revaluation reserve for land			41,391		41,391
Net changes of items other than shareholders' equity					
Total changes of items during period	(1,400,000)	(503,375)	2,284,099	(2,575)	378,147
Balance at end of current period	100,000	—	(270,247)	(9,781)	(180,029)

	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	5,081	(82)	4,993,002	6,847	5,004,849	4,264	4,450,935
Changes of items during period							
Transfer to other capital surplus from capital stock							—
Deficit disposition							—
Profit attributable to owners of parent							294,872
Change of scope of equity method							41,896
Purchase of treasury shares							(13)
Reversal of revaluation reserve for land							41,391
Net changes of items other than those in shareholders' equity	(23,543)	(172,724)	(328,138)	(2,879)	(527,285)	6,620	(520,665)
Total changes of items during period	(23,543)	(172,724)	(328,138)	(2,879)	(527,285)	6,620	(142,517)
Balance at end of current period	(18,461)	(172,806)	4,664,864	3,967	4,477,563	10,884	4,308,418

4) Consolidated statement of cash flows

(Thousands of yen)

	Prior fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities			
Profit before income taxes	153,946		236,704
Depreciation	452,457		451,474
Increase (decrease) in allowance for doubtful accounts	(1,692)		62
Increase (decrease) in provision for bonuses	2,930		(1,103)
Increase (decrease) in provision for shareholder benefits	4,662		7,000
Increase (decrease) in net defined benefit liability	6,147		(900)
Interest and dividend income	(6,129)		(5,992)
Interest expenses	113,874		120,241
Share of (profit) loss of entities accounted for using equity method	—		(3,968)
Decrease (increase) in notes and accounts receivable - trade	(61,916)		5,810
Decrease (increase) in inventories	51,334		(52,913)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	1,655		710
Increase (decrease) in notes and accounts payable - trade	119,172		(42,711)
Increase (decrease) in guarantee deposits received	(152,785)		(109,460)
Decrease (increase) in other assets	(10,847)		(27,669)
Increase (decrease) in other liabilities	33,450		(44,606)
Subtotal	706,259		532,676
Interest and dividend income received	6,129		5,992
Interest paid	(113,572)		(119,748)
Income taxes paid	(39,681)		(43,768)
Net cash provided by (used in) operating activities	559,135		375,151
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(250,085)		(250,085)
Proceeds from sales of property, plant and equipment and intangible assets	28,672		28,672
Proceeds from sales of investment securities	371		—
Proceeds from sales of investments in capital	134,263		152,145
Proceeds from transfer of business	—	*2	23,334
Other	—		31,294
Net cash provided by (used in) investing activities	(86,777)		(1,796,948)

(Thousands of yen)

		Prior fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities				
Decrease in short-term loans payable		—		(195,368)
Net increase (decrease) in short-term loans payable		61,000		(61,000)
Proceeds from long-term loans payable		—		2,276,000
Repayments of long-term loans payable		(338,400)		(598,344)
Repayments of lease obligations		(26,359)		(25,526)
Decrease (increase) in treasury shares		(68)		(13)
Others		(60,166)		(25,666)
Net cash provided by (used in) financing activities		(363,993)		1,370,081
Effect of exchange rate change on cash and cash equivalents		509		(320)
Net increase (decrease) in cash and cash equivalents		108,873		(52,035)
Cash and cash equivalents at beginning of the period		1,668,446		1,777,319
Cash and cash equivalents at end of the period	*1	1,777,319	*1	1,725,283

[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: 1

   (2) The name of affiliated company accounted for by the equity method:
   Takara Textile Industry Co., Ltd.
   Takara Textile Industry Co., Ltd. has been included in the scope of application of the equity method since the current fiscal year, because its importance increased.

   (3) Matters deemed necessary to be stated about the procedures of application of the equity method
   Of the companies accounted for by the equity method, for those whose closing date is different from that of the Company, the financial statements for the accounting period of the said company are used.

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

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

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

   (3) Basis for significant reserves
   i) Allowance for doubtful accounts
   In order to prepare for possible credit losses on receivables, the Company and its subsidiaries record the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific

collectability for specific doubtful receivables.

ii) Provision for bonuses

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

iii) Provision for shareholder benefits

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

(4) Accounting for retirement benefits

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

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

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

(6) Significant hedge accounting method

i) Hedge accounting method

Deferred hedge accounting is applied for derivative instruments.

Appropriation treatment is applied for forward exchange contracts which are qualified for such treatment.

Special treatment is applied for interest rate swaps which are qualified for such treatment.

ii) Hedging instruments and hedged items

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

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) Method and period of amortization of goodwill

Goodwill is equally amortized over a period during which it remains effective, with the period not exceeding 20 years.

(8) 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.

(9) 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)

- "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 accounting standards are comprehensive accounting standards concerning revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify contracts with customers
Step 2: Identify performance obligations under the contract
Step 3: Calculate transaction price
Step 4: Allocate transaction price to performance obligations under the contract
Step 5: Recognize revenue when performance obligations are satisfied or as they are being satisfied

(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.

(Changes in presentation)

(Changes resulting from the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

The Company has been applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018; hereinafter “Partial Amendments to Tax Effect Accounting Standard”) effective from the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under investments and other assets while deferred tax liabilities are presented under non-current liabilities. The Company also changed notes on tax effect accounting. As a result, “Deferred tax assets” of ¥51,700 thousand under “Current assets” recorded in the consolidated balance sheet for the prior fiscal year are included in “Deferred tax assets” of ¥65,375 thousand under “Investments and other assets.”

Also, details specified by Note 8 (excluding the total amount of valuation allowance) and Note 9 on the “Accounting Standard for Tax Effect Accounting,” stipulated by Paragraph 3 through Paragraph 5 of the Partial Amendments to Tax Effect Accounting Standard, are added to the notes on tax effect accounting. However, of the said details, those pertaining to the prior fiscal year are omitted in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to Tax Effect Accounting Standard.

(For consolidate balance sheet)

“Construction in progress,” which was included in “Other” under “Property, plant and equipment” in the prior fiscal year, is separately presented from the current fiscal year, since its pecuniary importance increased. To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified.

As a result, ¥96,500 thousand, which was presented in “Other, net” under “Property, plant and equipment” on the consolidated balance sheet for the prior fiscal year, has been reclassified as ¥49,680 thousand in “Construction in progress” and ¥46,820 thousand in “Other, net.”

(For consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Buildings and structures	5,820,719	5,820,719
Land	8,96,008	8,96,008
Construction in progress	—	1,762,651
Investment securities	—	9,781
Total	14,780,728	16,453,692

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Accounts payable	—	5,165
Short-term loans payable	399,400	2,374,400
Other current liabilities (current portion of guarantee deposits received)	61,436	61,436
Long-term loans payable	8,469,400	8,311,000
Long-term guarantee deposited	681,093	619,656
Total	9,611,330	11,371,658

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Merchandise and finished goods	406,139	605,985
Work in process	1,756	1,721
Raw materials and supplies	2,901	3,137
Total	410,797	610,845

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

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Accumulated depreciation of property, plant and equipment	7,750,957	7,821,656

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

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Investment securities (stocks)	36,656	82,522

*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, 2018)	Current fiscal year (As of March 31, 2019)
Discounted notes receivables	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, 2018)	Current fiscal year (As of March 31, 2019)
Notes receivable-trade	4,308	5,209
Notes payable-trade	37,346	79,317

8 Financial restraint clauses

(1) 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.

(2) The following financial restraint clauses are set for loans payable (syndicated loan contracts concluded on March 28, 2018).

i) 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.

ii) 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 determination whether this item has been satisfied shall be made on the accounting for the fiscal year ended March 31, 2019 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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
	13,741	12,707

*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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Directors' compensations	80,302	92,784
Salaries	243,021	235,089
Provision for bonuses	27,620	25,770
Retirement benefit expenses	21,829	31,656
Provision of allowance for doubtful accounts	(1,692)	62
Provision for shareholder benefits	21,000	28,000

(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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Amount arising during the period	15,739	(25,785)
Amount of reclassification adjustments	(63)	—
Before tax-effect adjustment	15,675	(25,785)
Amount of tax effects	(2,242)	2,242
Valuation difference on available-for-sale securities	13,433	(23,543)
Deferred gains or losses on hedges:		
Amount arising during the period	(762)	(172,688)
Amount of tax effects	234	(36)
Deferred gains or losses on hedges	(527)	(172,724)
Revaluation reserve for land:		
Amount of tax effects	—	(286,747)
Foreign currency translation adjustment:		
Amount arising during the period	1,079	(2,879)
Total other comprehensive income	13,985	(485,894)

(For consolidated statement of changes in equity)

Prior 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 and those in the form of 2017 stock options, the first days of their exercise periods have yet to arrive.

3. Dividends
Not applicable

Current fiscal year (From April 1, 2018 to March 31, 2019)

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)	68,599	36,963	—	105,562
Total	68,599	36,963	—	105,562

Note: The increase of 36,963 shares in treasury stock of common stock is due to inclusion of 36,813 shares in treasury stock (common stock of the Company) held by Takara Textile Industry Co., Ltd., which are attributable to the Company, and purchase of stocks of less than a standard unit of 150 shares, following the application of the equity method effective the current fiscal year.

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	—	—	—	—	—	4,355
	Stock acquisition rights in the form of 2017 stock options	—	—	—	—	—	4,818
	Stock acquisition rights in the form of 2018 stock options	—	—	—	—	—	1,710
Total			—	—	—	—	10,884

(Note) For stock acquisition rights in the form of 2016 stock options, those in the form of 2017 stock options and those in the form of 2018 stock options, the first days of their exercise periods have yet to arrive.

3. Dividends
Not applicable

(For consolidated statement of cash flows)

*1 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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash and deposits	1,787,501	1,735,466
Time deposits with maturities of more than three months	(10,182)	(10,183)
Cash and cash equivalents	1,777,319	1,725,283

*2 Breakdown of assets and liabilities following business acquisition, acquisition value and income through business acquisition are as follows:

	(Thousands of yen)
Current assets	291,570
Non-current assets	36,886
Goodwill	200,114
Current liabilities	(513,055)
Non-current liabilities	(15,516)
Acquisition value of business	—
Cash and cash equivalents	(23,334)
Net income through business acquisition	23,334

(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 short- and long-term loans from banks for working capital and capital expenditure are exposed to 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, and interest swap transactions with the purpose of hedging interest rate fluctuation risk pertaining to loans payable. Forward foreign exchange contracts are exposed to fluctuation risks in foreign currency exchange rate, while interest swap transactions are exposed to fluctuation risks in interest 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, 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			
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.

Current fiscal year (As of March 31, 2019)

(Thousands of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,735,466	1,735,466	—
(2) Notes and accounts receivable-trade	652,248		
Allowance for doubtful accounts	(1,650)		
	650,598	650,598	—
(3) Securities and investment securities			
Other securities	151,209	151,209	—
(4) Claims provable in bankruptcy, claims provable in rehabilitation and other	87,808		
Allowance for doubtful accounts	(84,442)		
	3,365	3,365	—
Total assets	2,540,640	2,540,640	—
(1) Notes and accounts payable-trade	577,915	577,915	—
(2) Short-term loans payable (excluding current portion of long-term loans payable)	—	—	—
(3) Income taxes payable	2,716	2,716	—
(4) Long-term loans payable (including current portion of long-term loans payable)	10,685,400	10,685,400	—
(5) Lease obligations (including current portion of lease obligations)	126,657	116,080	(10,576)
(6) Guarantee deposits received (including current portion of guarantee deposits received)	1,630,115	1,569,086	(61,029)
Total liabilities	13,022,804	12,951,198	(71,605)
Derivative transactions (*)	(172,806)	(172,806)	—

(*) 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, 2018)	Current fiscal year (As of March 31, 2019)
Unlisted stocks	133,559	179,425

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, 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, ¥88,518 thousand, of which expected redemption amount cannot be estimated, is not included in the above table.

Current fiscal year (As of March 31, 2019) (Thousands of yen)

	Due within one year	Due after one year but within five years
Deposits	1,683,798	—
Notes and accounts receivable-trade	652,248	—
Total	2,336,047	—

(*) Of claims provable in bankruptcy, claims provable in rehabilitation and other, ¥87,808 thousand, of which expected redemption amount cannot be estimated, is not included in the above table.

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

Prior fiscal year (As of March 31, 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

Current fiscal year (As of March 31, 2019) (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	2,374,400	8,191,000	60,000	60,000	—	—
Lease obligations	22,296	21,845	21,845	21,845	38,823	—
Total	2,396,696	8,212,845	81,845	81,845	38,823	—

(For securities)

1. Other securities

Prior 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.

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	2,793	1,998	795
Securities whose carrying amount recorded in the consolidated balance sheet does not exceed their acquisition cost	Stock	148,416	167,673	(19,256)
Total		151,209	169,671	(18,461)

(Note) The above "other securities" do not include unlisted shares (¥179,425 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, 2017 to March 31, 2018)

(Thousands of yen)

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

Current fiscal year (From April 1, 2018 to March 31, 2019)
Not applicable

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

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

Current fiscal year (As of March 31, 2019)
Not applicable

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

Prior 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.

Current fiscal year (As of March 31, 2019)
Not applicable

(2) Interest-related transactions

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

Current fiscal year (As of March 31, 2019)

(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	Interest rate swaps Receive floating/pay fixed	Long-term loans payable	11,800,000	11,395,641	(172,806)

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

(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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net defined benefit liability at the beginning of the year	260,227	266,374
Retirement benefit expenses	22,949	34,007
Increase for transfer of business	—	15,516
Retirement benefits paid	(16,802)	(34,907)
Net defined benefit liability at the end of the year	266,374	280,991

(2) Breakdown of retirement benefit expenses

(Thousands of yen)

	Prior fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Retirement benefit expenses based on the simplified method	22,949	34,007

(For stock option plans, etc.)

1. Expense amount for stock option plans and item

(Thousands of yen)

	Prior fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Selling, general and administrative expenses	3,641	6,620

2. Details of stock option plans, volume and changes

(1) Details of stock option plans

Company name	The Company	The Company	The Company
Date for resolution	November 9, 2016	August 23, 2017	July 25, 2018
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	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	Common stock: 81,000 shares
Grant date	December 5, 2016	September 20, 2017	August 20, 2018
Vesting conditions	Not se	Not set	Not set
Number of required service years	Not set	Not set	Not set
Exercise period	December 5, 2019 - December 4, 2024	September 20,2020-September 19,2025	August 20,2021-August 19,2026

(2) Volume of stock options and changes thereto

This concerns stock options that existed in the fiscal year ended March 31, 2019, and numbers are expressed in terms of the number of underlying shares.

i) Number of stock options

Company name	The Company	The Company	The Company
Date for resolution	November 9, 2016	August 23, 2017	July 25, 2018
Shares that have not vested			
At the end of the prior fiscal year	80,000	110,000	—
Granted	—	—	81,000
Forfeited	—	—	—
Vested	—	—	—
Not yet vested	80,000	110,000	81,000
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	The Company
Date for resolution	November 9, 2016	August 23, 2017	July 25, 2018
Exercise price (yen)	1	1	1
Average stock price at the time of exercise (yen)	—	—	—
Fair unit value as of the grant date (yen)	70	83	95

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)	37.2%
Estimated remaining period (Note 2)	5.5 years
Estimated dividends (Note 3)	0 yen/share
Estimated risk-free interest rate (Note 4)	(0.10)%

(Notes) 1. Calculated on the basis of stock performance over 5.5 years (from February 20, 2013, to August 20, 2018).
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, 2018.
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

(Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Deferred tax assets:		
Loss carried forward (Note 2)	882,909	911,571
Loss on valuation of inventories	27,721	36,429
Provision for bonuses	11,091	11,781
Accrued expenses	1,349	1,541
Impairment loss	24,315	25,280
Allowance for doubtful accounts	26,057	29,360
Net defined benefit liability	81,909	91,488
Asset retirement obligations	16,653	18,417
Asset adjustment account	—	74,364
Valuation difference on available-for-sale securities	—	6,385
Deferred gains (losses) on hedges	—	59,773
Other	32,034	4,697
Total gross deferred tax assets	1,104,040	1,271,093
Valuation allowance pertaining to loss carried forward (Note 2)	—	(808,991)
Valuation allowance pertaining to deductible temporary difference	—	(330,798)
Total gross valuation allowance (Note 1)	(1,032,192)	(1,139,789)
Net deferred tax assets	71,847	131,303
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(2,242)	—
Property, plant and equipment (asset retirement expense)	(4,229)	(4,535)
Total gross deferred tax liabilities	(6,471)	(4,535)
Net deferred tax assets	65,375	126,768
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,211,637)	(2,476,495)

Notes: 1. Significant components of changes in valuation allowance are an increase in valuation allowance due to a rise in the effective tax rate and a decrease in valuation allowance pertaining to loss carried forward.

2. Amount of loss carried forward and amount of the corresponding deferred tax assets by periods of carrying forward

Current fiscal year (As of March 31, 2019)

(Thousands of yen)

	Within 1 year	Over 1 year and within two years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Loss carried forward (a)	21,708	166,481	5,106	—	—	718,275	911,571
Valuation allowance	2,328	83,280	5,106	—	—	718,275	808,991
Deferred tax assets	19,379	83,200	—	—	—	—	(b)102,579

(a) The figures for loss carried forward are those obtained by multiplication by the statutory tax rate.

(b) Deferred tax assets pertaining to loss carried forward occurred at the parent company and is judged to be collectible after considering expected taxable income based on future profitability.

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, 2018)	Current fiscal year (As of March 31, 2019)
Statutory tax rate	30.9%	34.6%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	13.9%	8.2%
Inhabitant tax on per capita basis	3.3%	0.4%
Change in valuation allowance	(22.6%)	(63.4%)
Different tax rates applied to consolidated subsidiaries	0.2%	(0.4%)
Impact of change in tax rate	—%	(3.7%)
Income taxes for prior periods	6.9%	—%
Other	0.0%	(0.3%)
Effective tax rates after adoption of tax-effect accounting	32.6%	(24.6%)

3. Revision of amounts of deferred tax assets and deferred tax liabilities resulting from the change in the statutory tax rate of income taxes

The pro-forma standard taxation in corporate enterprise taxes is no longer applied to the Company, since it reduced its capital stock to ¥100,000 thousand on August 31, 2018. As a result, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary difference that is expected to dissolve in the fiscal year starting on April 1, 2019 is 34.6%, instead of the 30.6% used in calculation for the prior fiscal year.

Following the change in the tax rate, deferred tax assets (excluding the amount of deferred tax liabilities) and deferred tax liabilities for land revaluation increased by ¥8,037 thousand and ¥286,747 thousand, respectively, while income tax-deferred, posted for the current fiscal year, decreased by ¥8,327 thousand, and valuation difference on available-for-sale securities and revaluation reserve for land decreased by ¥290 thousand and ¥286,747 thousand, respectively.

(Business combinations)

Business combination through acquisition

1. Overview of the business combination

(1) Name of subject company and details of the acquired business

Name of subject company:	WATEX Co., Ltd.
Details of the acquired business:	Healthcare-related business in general concerning materials of beds and bedding, cloth, and beds and beddings (excluding overseas-related business)

(2) Major reason for the business combination

To reinforce the health care business of the Company Group

(3) Date of the business combination

March 29, 2019

(4) Legal form of the business combination

Business acquisition

(5) Major basis for deciding the company to be acquired

The Company took over the business without compensation.

2. Period of the performance of the acquired business included in the consolidated financial statements

The performance of the acquired business is not included in the consolidated financial statements for the current fiscal year.

3. Acquisition cost of the acquired business

Without compensation

4. Details and amount of significant expenses related to acquisition

Advisory expenses, etc. ¥13,269 thousand

5. Amount, cause, method and period of amortization of goodwill

(1) Amount of goodwill ¥200,114 thousand

(2) Cause of goodwill

Anticipated future profitability in excess from future business development

(3) Method and period of amortization of goodwill

Straight-line method over 14 years

6. Amounts of assets received and liabilities assumed on the day of the business combination

	(Thousands of yen)
Current assets	291,570
Non-current assets	36,886
Total assets	328,457
Current liabilities	513,055
Non-current liabilities	15,516
Total liabilities	528,571

7. Estimates of the impact of the business combination on the consolidated statement of income for the current fiscal year and the calculation method thereof on the assumption that the business combination was completed on the first day of the fiscal year
Not stated due to the difficulty in calculating the estimates for the current fiscal year

(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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Balance at the beginning of the year	52,923	53,689
Increase due to acquisition of tangible assets	—	942
Adjustment due to passage of time	742	455
Decrease due to fulfillment of asset retirement obligations	—	(1,348)
Other increase (decrease)	24	(26)
Balance at the end of the year	53,689	53,712

(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)

<table>
<tr><th colspan="3"></th><th>Prior fiscal year (From April 1, 2017 to March 31, 2018)</th><th>Current fiscal year (From April 1, 2018 to March 31, 2019)</th></tr>
<tr><td rowspan="4">Commercial facilities</td><td rowspan="3">Carrying amount</td><td>Balance at the beginning of the year</td><td>15,120,680</td><td>14,915,945</td></tr>
<tr><td>Increase (decrease) during the year</td><td>(204,735)</td><td>1,593,436</td></tr>
<tr><td>Balance at the end of the year</td><td>14,915,945</td><td>16,509,381</td></tr>
<tr><td colspan="2">Fair value at the end of the year</td><td>18,827,000</td><td>19,192,800</td></tr>
<tr><td rowspan="4">Other</td><td rowspan="3">Carrying amount</td><td>Balance at the beginning of the year</td><td>364,453</td><td>351,046</td></tr>
<tr><td>Increase (decrease) during the year</td><td>(13,406)</td><td>(4,906)</td></tr>
<tr><td>Balance at the end of the year</td><td>351,046</td><td>346,140</td></tr>
<tr><td colspan="2">Fair value at the end of the year</td><td>431,766</td><td>424,804</td></tr>
</table>

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 ¥214,132 thousand, while major decrease is depreciation of

¥418,868 thousand.
Major increase for the current fiscal year is capital expenditure for "SUN TO MOON Kakitagawa" of ¥2,137,514 thousand, while major decrease is depreciation of ¥418,498 thousand.

3. Of increase (decrease) during the year of Other, major decrease is impairment loss of ¥8,417 thousand and depreciation of ¥4,988 thousand.
   Major decrease for the current fiscal year is depreciation of ¥4,906 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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Commercial facilities	Rent revenue	2,298,888	2,311,265
	Rent expense	1,351,487	1,331,780
	Difference	947,400	979,484
	Other (gain/loss on sale, etc.)	—	8,247
Other	Rent revenue	16,816	16,646
	Rent expense	9,260	8,370
	Difference	7,556	8,275
	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, 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

Current fiscal year (From April 1, 2018 to March 31, 2019)

(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	2,327,912	832,785	1,336,092	4,496,789	—	4,496,789
Inter-segment sales or transfers	456	—	96	552	(552)	—
Total	2,328,368	832,785	1,336,188	4,497,342	(552)	4,496,789
Segment profits (losses)	861,967	(29,882)	(24,968)	807,117	(479,638)	327,478
Segment assets	17,419,939	797,229	687,228	18,904,398	1,948,664	20,853,062
Other items						
Depreciation	440,470	390	23	440,884	10,995	451,880
Share of profit of entities accounted for using equity method	—	—	3,968	3,968	—	3,968
Investment amounts to equity method companies	—	—	82,522	82,522	—	82,522
Increase amounts of fixed assets and intangible assets	2,076,469	202,888	—	2,279,358	1,694	2,281,052

Notes: 1 Details of the Adjustments are as follows:

(Thousands of yen)

Segment profits (losses)	Prior fiscal year	Current fiscal year
Corporate expense *	(438,126)	(479,638)

* 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 *	1,911,509	1,948,664

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

(Thousands of yen)

Other items	Prior fiscal year	Current fiscal year
Depreciation	12,163	10,995
Increase amounts of fixed assets and intangible assets*	533	1,694

* 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, 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.

Current fiscal year (From April 1, 2018 to March 31, 2019)

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

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, 2017 to March 31, 2018)

Not applicable

Current fiscal year (From April 1, 2018 to March 31, 2019)

Not applicable

(Per share information)

(Yen)

	Prior fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net assets per share	148.56	143.76
Basic earnings (loss) per share	3.47	9.86
Diluted earnings per share	3.46	9.82

(Notes) 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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	103,788	294,872
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent relating to common stock (Thousands of yen)	103,788	294,872
Average number of shares of common stock during the fiscal year (Shares)	29,931,679	29,894,523
Diluted earnings per share		
Amount of profit attributable to owners of parent adjustment (Thousands of yen)	—	—
Increase in number of common shares	68,999	137,330
(Stock acquisition rights (number of shares))	(68,999)	(137,330)
Potential shares not included in the calculation of diluted earnings per share because they have no dilutive effects		—

(Significant subsequent events)

Not applicable

5) Consolidated supplemental schedules

Schedule of bonds payable

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	—	—	—
Current portion of long-term loans payable (Note 3)	338,400	2,374,400	1.3	—
Current portion of lease obligations (Note 4)	25,526	22,296	—	—
Long-term loans payable (excluding current portion)	8,469,400	8,311,000	1.3	2020 to 2023
Lease obligations (excluding current portion)	126,657	104,361	—	2020 to 2024
Total	9,020,983	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, 2019.

(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	8,191,000	60,000	60,000	—
Lease obligations	21,845	21,845	21,845	38,823

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, 2019 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, 2019.

(2) Other

Quarterly financial information for the fiscal year ended March 31, 2019

(Thousands of yen)

Cumulative period	1st Quarter (Three months ended June 30, 2018)	2nd Quarter (Six months ended September 30, 2018)	3rd Quarter (Nine months ended December 31, 2018)	4th Quarter (Fiscal year ended March 31, 2019)
Net sales	992,741	2,147,439	3,293,866	4,496,789
Profit(loss) before income taxes	(14,783)	110,018	133,944	236,704
Profit(loss) attributable to owners of parent	(22,702)	144,002	162,621	294,872
Basic earnings(loss) per share (Yen)	(0.76)	4.82	5.44	9.86

Each quarter	1st Quarter (From April 1, 2018 to June 30, 2018)	2nd Quarter (From July 1, 2018 to September 30, 2018)	3rd Quarter (From October 1, 2018 to December 31, 2018)	4th Quarter (From January 1, 2019 to March 31, 2019)
Basic earnings (loss) per share (Yen)	(0.76)	5.56	0.62	4.42

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, 2018)		Current fiscal year (As of March 31, 2019)
Assets				
Current assets				
Cash and deposits		1,247,416		1,206,184
Notes receivable-trade	*5	99,098	*5	156,582
Accounts receivable-trade	*3	350,684	*3	375,570
Inventories	*2	397,065	*2	569,898
Other	*3	200,903	*3	30,058
Allowance for doubtful accounts		(950)		(1,670)
Total current assets		2,294,218		2,336,623
Non-current assets				
Property, plant and equipment				
Buildings and Structures	*1	5,926,304	*1	5,881,824
Land	*1	9,533,876	*1	9,470,591
Leased assets		145,985		121,661
Construction in progress		49,680	*1	1,762,651
Others		39,041		28,685
Total property, plant and equipment		15,694,887		17,265,414
Intangible assets				
Goodwill		—		200,114
Other		7,952		4,046
Total intangible assets		7,952		204,161
Investments and other assets				
Investment securities		258,735	*1	247,217
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	184,200	*3	182,000
Claims provable in bankruptcy, claims provable in rehabilitation and other		88,518		87,808
Deferred tax assets		62,025		123,373
Other		54,959		63,100
Allowance for doubtful accounts		(269,300)		(266,442)
Total investments and other assets		483,767		541,685
Total non-current assets		16,186,608		18,011,261
Total assets		18,480,826		20,347,885

				(Thousands of yen)
		Prior fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)
Liabilities				
Current liabilities				
Notes payable-trade	*5	169.818	*5	169.818
Accounts payable-trade	*3	318.489	*3	318.489
Short-term loans payable	*1	399,400	*1	399,400
Income taxes payable		42,585		42,585
Provision for bonuses		27,620		27,620
Provision for shareholder benefits		21,000		21,000
Other	*1, *3	255,355	*1, *3	255,355
Total current liabilities		1,234,269		1,234,269
Non-current liabilities				
Long-term loans payable	*1	8,469,400	*1	8,311,000
Lease obligations		126,657		104,361
Long-term guarantee deposited	*1, *3	1,679,770	*1, *3	1,578,689
Deferred tax liabilities for land revaluation		2,211,637		2,476,495
Provision for retirement benefits		251,122		262,382
Asset retirement obligations		46,453		46,503
Total non-current liabilities		12,785,040		12,779,433
Total liabilities		14,019,310		16,092,548
Net assets				
Shareholders' equity				
Capital stock		1,500,000		100,000
Capital surplus				
Legal capital surplus		503,270		—
Other capital surplus		104		—
Total capital surplus		503,375		—
Retained earnings				
Legal retained earnings		375,000		—
Other retained earnings				
Retained earnings brought forward		(2,911,919)		(321,923)
Total retained earnings		(2,536,919)		(321,923)
Treasury shares		(7,206)		(7,219)
Total shareholders' equity		(540,750)		(229,143)
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		5,081		(18,461)
Deferred gains or losses on hedges		(82)		(172,806)
Revaluation reserve for land		4,993,002		4,664,864
Total valuation and translation adjustments		4,998,001		4,473,595
Stock acquisition rights		4,264		10,884
Total net assets		4,461,515		4,255,336
Total liabilities and net assets		18,480,826		20,347,885

2) Non-consolidated statement of income

(Thousands of yen)

	Prior fiscal year (From April 1, 2017 to March 31, 2018)		Current fiscal year (From April 1, 2018 to March 31, 2019)	
Net sales	*1	3,453,186	*1	3,445,065
Cost of sales	*1	2,353,968	*1	2,326,489
Gross profit		1,099,217		1,118,576
Selling, general and administrative expenses	*1,*2	791,592	*1,*2	812,646
Operating income		307,625		305,929
Non-operating income				
Interest income	*1	1,141	*1	989
Dividends income		6,084		5,960
Gain on sales of investments in capital		5,300		2,200
Other		15,581		42,565
Total non-operating income		28,106		51,715
Non-operating expenses				
Interest expenses		113,874		120,241
Other		93,219		32,960
Total non-operating expenses		207,094		153,201
Ordinary income		128,637		204,443
Profit (loss) before income taxes		128,637		204,443
Income taxes-current		52,019		371
Income taxes-deferred		(6,998)		(66,157)
Total income taxes		45,020		(65,785)
Profit (loss) attributable to owners of parent		83,616		270,229

Schedule of cost of sales

Category	No. in Notes	Prior fiscal year (From April 1, 2017 to March 31, 2018) Amount (Thousands of yen)		Composition ratio (%)	Current fiscal year (From April 1, 2018 to March 31, 2019) Amount (Thousands of yen)		Composition ratio (%)
1 Cost of goods sold							
Beginning goods		452,395			397,065		
Cost of purchased goods		1,672,355			1,743,066		
Transfer of goods by transfer of business		—			147,680		
Total		2,124,750			2,287,812		
Transfer to other account	*1	5,799			8,051		
Ending goods		397,065	1,721,885	73.1	569,898	1,709,863	73.5
2 Rent cost and service cost							
Taxes and dues	*2	152,535			149,923		
Depreciation		436,873			436,454		
Other cost		42,674	632,083	26.9	30,249	616,626	26.5
Total cost of sales			2,353,968	100.0		2,326,489	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, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(2,995,536)	(2,620,536)	(7,138)	(624,299)
Changes of items during period									
Transfer to other capital surplus from capital stock									—
Transfer to other capital surplus from legal capital surplus									—
Deficit disposition									—
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						
Transfer to other capital surplus from capital stock						83,616
Transfer to other capital surplus from legal capital surplus						
Deficit disposition						
Profit						
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

Current fiscal year (From April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(2,911,919)	(2,536,919)	(7,206)	(540,750)
Changes of items during period									
Transfer to other capital surplus from capital stock	(1,400,000)		1,400,000	1,400,000					—
Transfer to other capital surplus from legal capital surplus		(503,270)	503,270	—					—
Deficit disposition			(1,903,375)	(1,903,375)	(375,000)	2,278,375	1,903,375		—
Profit						270,229	270,229		270,229
Purchase of treasury shares								(13)	(13)
Reversal of revaluation reserve for land						41,391	41,391		41,391
Net changes of items other than shareholders' equity									
Total changes of items during period	(1,400,000)	(503,270)	(104)	(503,375)	(375,000)	2,589,996	2,214,996	(13)	311,607
Balance at end of current period	100,000	—	—	—	—	(321,923)	(321,923)	(7,219)	(229,143)

	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	5,081	(82)	4,993,002	4,998,001	4,264	4,461,515
Changes of items during period						
Transfer to other capital surplus from capital stock						—
Transfer to other capital surplus from legal capital surplus						—
Deficit disposition						—
Profit						270,229
Purchase of treasury shares						(13)
Reversal of revaluation reserve for land						41,391
Net changes of items other than shareholders' equity	(23,543)	(172,724)	(328,138)	(524,406)	6,620	(517,786)
Total changes of items during period	(23,543)	(172,724)	(328,138)	(524,406)	6,620	(206,178)
Balance at end of current period	(18,461)	(172,806)	4,664,864	4,473,595	10,884	4,255,336

[Notes to Non-consolidated Financial Statements]

(Significant accounting policies)

1. Valuation standards and methods for securities

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

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

2. Valuation standards for derivative financial instruments
Market value method

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

4. Depreciation and amortization of fixed assets

(1) Property, plant and equipment (excluding leased assets)
Operating leased assets and the related assets thereto are depreciated mainly using the straight-line method, and some of which are depreciated using the declining-balance method. Other property, plant and equipment are depreciated using the declining-balance method.
All the buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 are depreciated using the straight-line method.
Major useful lives are as follows:
Buildings and structures: 3-47 years

(2) Intangible fixed assets (excluding leased assets)
Straight-line method
Software (for internal use) is amortized over the internally estimated useful lives (5 years).

(3) Leased assets
Leased assets related to finance lease transactions which do not transfer ownerships to the lessee
Leased assets are depreciated over the lease terms as useful lives, using the straight-line method without any residual value. However, for lease transactions with residual value guarantees, the residual value equivalent is the residual value guarantee amount.

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

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

6. Basis for reserves

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

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

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

(4) Provision for retirement benefits
Provision for retirement benefits are recorded at an amount calculated based on the retirement benefit obligation at the end of the current fiscal year.
In calculating net defined benefit liability, the Company adopts the simplified method whereby the benefit obligation is deemed to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end

7. Hedge accounting

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

(2) Hedging instruments and hedged items

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

(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. Method and period of amortization of goodwill

Goodwill is equally amortized over a period during which it remains effective, with the period not exceeding 20 years.

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

Accounting for the consumption taxes

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

(Changes in presentation)

(Changes resulting from the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

The Company has been applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018; hereinafter “Partial Amendments to Tax Effect Accounting Standard”) effective from the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under investments and other assets while deferred tax liabilities are presented under non-current liabilities.

As a result, “Deferred tax assets” of ¥49,067 thousand under “Current assets” recorded in the balance sheet for the prior fiscal year is included in “Deferred tax assets” of ¥62,025 thousand under “Investments and other assets.”

Also, details specified by Note 8 (1) (excluding the total amount of valuation allowance) on the “Accounting Standard for Tax Effect Accounting,” stipulated by Paragraph 4 of the Partial Amendments to Tax Effect Accounting Standard, are added to the notes on tax effect accounting. However, of the said details, those pertaining to the prior fiscal year are omitted in accordance with the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to Tax Effect Accounting Standard.

(For non-consolidated balance sheet)

“Construction in progress,” which was included in “Other” under “Property, plant and equipment” in the prior fiscal year, is separately stated from the current fiscal year, since its pecuniary importance increased. “Construction in progress” was ¥49,680 thousand in the prior fiscal year.

(For non-consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Buildings and structures	5,824,612	5,788,431
Land	9,018,474	8,955,189
Construction in progress	—	1,762,651
Investment securities	—	9,781
Total	14,843,087	16,516,052

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Accounts payable - trade	—	5,165
Short-term loans payable	399,400	2,374,400
Other current liabilities (current portion of guarantee deposits received)	61,436	61,436
Long-term loans payable	8,469,400	8,311,000
Long-term guarantee deposited	681,093	619,656
Total	9,611,330	11,371,658

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Merchandise	397,065	569,898

*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, 2018)	Current fiscal year (As of March 31, 2019)
Short-term credits	20,608	16,236
Long-term credits	184,200	162,000
Short-term debits	11,174	13,335
Long-term debits	993,378	954,335

4 Discounted notes receivables (Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Discounted notes receivables	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, 2018)	Current fiscal year (As of March 31, 2019)
Notes receivable-trade	4,308	5,209
Notes payable-trade	37,346	79,317

6 Financial restraint clauses

(1) 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.

(2) The following financial restraint clauses are set for loans payable (syndicated loan contracts concluded on March 28, 2018).

i) 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.

ii) 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 determination whether this item has been satisfied shall be made on the accounting for the fiscal year ended March 31, 2019 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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Balance of operating transactions		
Net sales	1,292,186	1,318,679
Cost of sales	113,854	124,707
Balance of non-operating transactions	6,423	5,874

*2 Ratio of expenses under selling expenses is 43% and 38% for the prior fiscal year and current fiscal year, respectively. Ratio of expenses under general and administrative expenses is 57% and 62% 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, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Salaries	238,853	230,714
Provision for bonuses	27,620	25,770
Retirement benefit expenses	21,829	31,656
Depreciation	13,101	11,821
Provision of allowance for doubtful accounts	(1,692)	62
Provision for shareholder benefits	21,000	28,000

(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, 2018)	Current fiscal year (As of March 31, 2019)
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

(Thousands of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Deferred tax assets:		
Loss carried forward	873,883	904,809
Loss on valuation of inventories	27,721	36,429
Loss on valuation of shares of subsidiaries and associates	3,062	3,459
Impairment loss	36,714	41,411
Allowance for doubtful accounts	82,750	92,314
Provision for bonuses	8,457	8,913
Provision for retirement benefits	76,893	85,390
Asset adjustment account	—	74,364
Valuation difference on available-for-sale securities	—	6,385
Deferred gains (losses) on hedges	—	59,773
Other	46,226	21,336
Total gross deferred tax assets	1,155,709	1,334,590
Valuation allowance pertaining to loss carried forward	—	(802,230)
Valuation allowance pertaining to deductible temporary difference	—	(404,451)
Total gross valuation allowance	(1,087,212)	(1,206,681)
Net deferred tax assets	68,496	127,908
Deferred tax liabilities:		
Property, plant and equipment (asset retirement expense)	(4,229)	(4,535)
Valuation difference on available-for-sale securities	(2,242)	—
Total gross deferred tax liabilities	(6,471)	(4,535)
Net deferred tax assets	62,025	123,373
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,211,637)	(2,476,495)

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, 2018)	Current fiscal year (As of March 31, 2019)
Statutory tax rate	30.9%	34.6%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	16.3%	9.3%
Inhabitant tax on per capita basis	3.7%	0.3%
Change in valuation allowance	(23.6%)	(72.1%)
Impact of change in tax rate	—%	(4.3%)
Income taxes for prior periods	8.3%	—%
Other	(0.6%)	0.0%
Effective tax rates after adoption of tax-effect accounting	35.0%	(32.2%)

3. Revision of amounts of deferred tax assets and deferred tax liabilities resulting from the change in the statutory tax rate of income taxes

The pro-forma standard taxation in corporate enterprise taxes is no longer applied to the Company, since it reduced its capital stock to ¥100,000 thousand on August 31, 2018. As a result, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary difference that is expected to dissolve in the fiscal year starting on April 1, 2019 is 34.6%, instead of the 30.6% used in calculation for the prior fiscal year.

Following the change in the tax rate, deferred tax assets (excluding the amount of deferred tax liabilities) and deferred tax liabilities for land revaluation increased by ¥8,037 thousand and ¥286,747 thousand, respectively, while income tax-deferred, posted for the current fiscal year, decreased by ¥8,327 thousand, and valuation difference on available-for-sale securities and revaluation reserve for land decreased by ¥290 thousand and ¥286,747 thousand, respectively.

(Business combinations)

Business combinations by acquisition

Business combinations are omitted, since the same details are stated in the "Notes to Consolidated Financial Statements (Business combinations)."

(Significant subsequent events)

Not applicable

4) Non-consolidated supplemental schedules

Schedule of fixed assets

(Thousands of yen)

Type of assets	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation or amortization at the end of the current fiscal year
Property, plant and equipment						
Buildings	5,842,916	328,556	250	395,502	5,775,720	6,454,572
Structures	83,387	34,998	—	12,281	106,104	835,019
Machinery and equipment	4,202	—	—	—	4,202	79,842
Tools, furniture and fixtures	34,838	1,329	—	11,684	24,483	331,050
Land	9,533,876 [7,204,639]	—	63,285 [63,279]	—	9,470,591 [7,141,359]	—
Leased assets	145,985	—	—	24,324	121,661	193,491
Construction in progress	49,680	2,105,265	392,293	—	1,762,651	—
Total property, plant and equipment	15,694,887 [7,204,639]	2,470,149	455,829 [63,279]	443,792	17,265,414 [7,141,359]	7,893,974
Intangible assets						
Software	6,673	63	—	3,673	3,063	20,993
Goodwill	—	200,114	—	—	200,114	—
Other	1,278	—	—	295	983	2,945
Total intangible assets	7,952	200,177	—	3,969	204,161	23,938

Notes:
1. The increase in buildings in the current fiscal year is primarily due to the 4th stage development of a commercial facility in the Mishima area.
2. The increase in structures in the current fiscal year is primarily due to capital investments in a commercial facility in the Mishima area.
3. The decrease in land in the current fiscal year is due to sale of land owned by the Company associated with the expansion of width of a town road.
4. The increase in construction in progress in the current fiscal year is primarily due to the 4th stage development of a commercial facility in the Mishima area.
5. The decrease in construction in progress in the current fiscal year is due to transfer to buildings account, etc.
6. The increase in goodwill in the current fiscal year is due to the partial acquisition of a business.
7. 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	270,250	720	2,857	268,112
Provision for bonuses	27,620	25,770	27,620	25,770
Provision for shareholder benefits	21,000	28,000	21,000	28,000

(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 to receive QUO cards as follows, according to the number of shares held. 1,000 shares or more but fewer than 2,000 shares Cards worth 2,000 yen 2,000 shares or more Cards worth 4,000 yen (2) Shareholders who are recorded or registered on the list of shareholders as of March 31 of each year and who continued to be recorded or registered on the list of shareholders as of March 31 of the previous year with the same shareholder number are eligible to receive QUO cards as follows, according to the number of shares held. 1,000 shares or more but fewer than 2,000 shares Cards worth 3,000 yen 2,000 shares or more Cards worth 5,000 yen

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

7. Reference Information on the Company

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

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

2. Other reference information

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

(1) Securities Report and Accompanying Documents and Confirmation Note
The 198th Fiscal Year (from April 1, 2017 to March 31, 2018)
Submitted to the Director of the Kanto Local Finance Bureau on June 27, 2018.

(2) Internal Control Report and Accompanying Documents
Submitted to the Director of the Kanto Local Finance Bureau on June 27, 2018.

(3) Quarterly Securities Reports and Confirmation Notes
The 1st Quarter of 199th Fiscal Year (from April 1, 2018 to June 30, 2018)
Submitted to the Director of the Kanto Local Finance Bureau on August 8, 2018.
The 2nd Quarter of 199th Fiscal Year (from July 1, 2018 to September 30, 2018
Submitted to the Director of the Kanto Local Finance Bureau on November 8, 2018.
The 3rd Quarter of 199th Fiscal Year (from October 1, 2018 to December 31, 2018)
Submitted to the Director of the Kanto Local Finance Bureau on February 7, 2019.

(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, 2018.
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 8 (determination of business transfer or acquisition) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.
Submitted to the Director of the Kanto Local Finance Bureau on March 8, 2019.

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 25, 2019

To the Board of Directors of
Daitobo Co., Ltd

Crowe Toyo & Co.

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

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

Designated Employee,
Engagement Partner,
Certified Public Accountant: Hideho Tanabe

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, 2019 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, 2018 to March 31, 2019, 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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, 2019.

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, 2019 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 25, 2019

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

Crowe Toyo & Co.

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

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

Designated Employee,
Engagement Partner,
Certified Public Accountant: Hideho Tanabe

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 199th fiscal year from April 1, 2018 to March 31, 2019, 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, 2019, and its financial performance for the fiscal year then ended in conformity with accounting principles 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.