

Interim Report

April 1, 2019 – September 30, 2019

daitobo

since 1896

Daitobo Co., Ltd.

Securities code: 3202

200th

– Get Ahead of the Future –

Please allow me to begin by extending my heartfelt gratitude to our shareholders for their continued patronage and support.

I would like to make a brief statement on our performance for the first half of the 200th fiscal year (from April 1, 2019 to September 30, 2019).

Firstly, I would like to take this opportunity to express my sincerest appreciation to all our shareholders for enabling us to reach the milestone of our 200th fiscal year.

During the first half of the fiscal year ending March 31, 2020, the Japanese economy continued in a moderate recovery trend overall, as evidenced by an upswing in consumption resulting from an upsurge in demand prior to the consumption tax hike and continued improvement in the employment environment, despite deteriorating business sentiment in the manufacturing industry against a backdrop of uncertainties overseas, including the prolonged trade friction between the United States and China.

Amid such conditions, the Group earnestly worked on measures in the “Get Ahead of the Future” Mid-term Management Policy launched in fiscal 2018, with the aim of achieving sustainable growth and enhancing corporate value over the mid-to long-term based on our corporate philosophy of fostering a spirit of enterprise and of social contribution by helping others through self-help.

Specifically, with regard to “Pillar strategy 1: propriety initiatives aimed at investment for growth, and maintenance and renewal investment” set forth in the Mid-term Management Policy, the expansion of floor space and renovation of the SUN TO MOON Kakitagawa (the 4th stage development), one of the leading commercial facilities in Shizuoka Prefecture, was completed largely on schedule and handed over in September this year. At present, as we announced in July this year, we are steadily working on preparations with the aim of opening the facility in March 2020. Once it is fully operating, we expect it to be one of the country's leading commercial facilities with an annual 10 million customers and transaction volume of around ¥27 billion.

In addition, with regard to “Pillar strategy 2: expansion of business scale and enhancement of profitability,” the partial acquisition of the health care business that we implemented at the end of the prior fiscal year is starting to make a contribution. Net sales in the health care business segment for the first half of the fiscal year almost doubled, increasing by approximately 80% year-on-year. In addition, operating income in the health care business segment posted a first-half profit for the first time in five fiscal years. Going forward, we will continue to increase synergic benefits in order to further improve our business performance.

Consolidated financial highlights

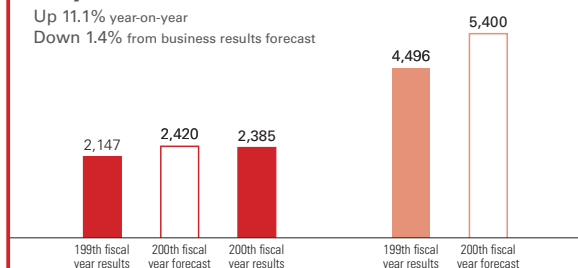
Net sales

¥2,385 million

Up 11.1% year-on-year

Down 1.4% from business results forecast

■ First half ■ Full year (Millions of yen)



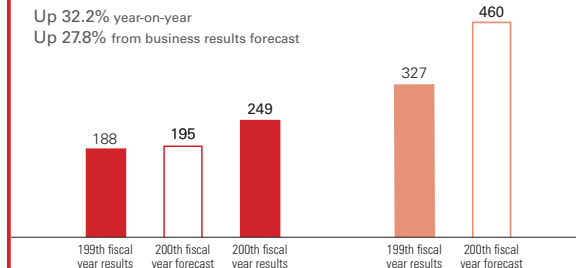
Operating income

¥249 million

Up 32.2% year-on-year

Up 27.8% from business results forecast

■ First half ■ Full year (Millions of yen)



Furthermore, we are continuing reform efforts in each section, including systems, finance, and human resources, based on each strategy contained in the Mid-term Management Policy, and are gradually seeing results.

<Business results for the first half>

In the first half of the fiscal year under review, net sales increased to ¥2,385 million (up 11.1% year-on-year), partly due to increased sales resulting from the acquisition of the health care business. Operating income increased to ¥249 million (up 32.2% year-on-year), partly due to an improved gross margin ratio and the absence of the impact from the recording of one-time expenses pertaining to investment in the commercial property business in the same period of the prior fiscal year. Ordinary income, which takes into account non-operating expenses such as interest expenses, increased to ¥152 million (up 38.3% year-on-year). Profit attributable to owners of parent, which takes into account tax expenses such as income tax, rose to ¥148 million (up 3.2% year-on-year), resulting in a year-on-year increase in sales and profits.

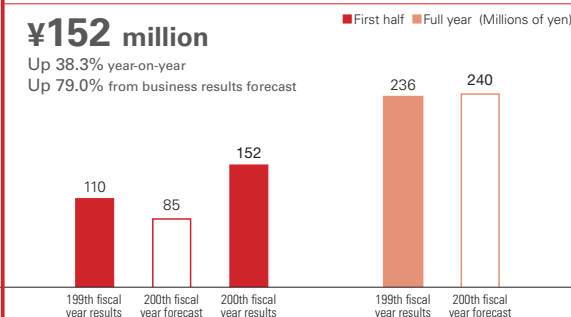


Kazuhiro Yamauchi
President and Representative Director

Ordinary income

¥152 million

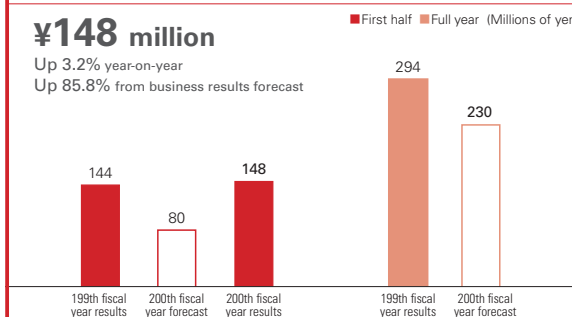
Up 38.3% year-on-year
Up 79.0% from business results forecast



Profit attributable to owners of parent

¥148 million

Up 3.2% year-on-year
Up 85.8% from business results forecast



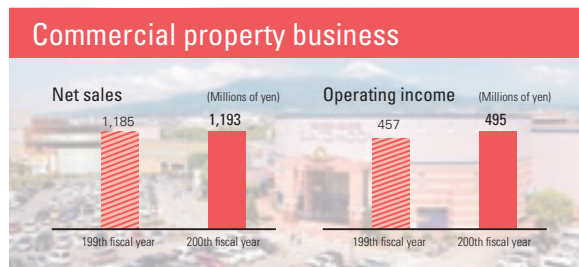
Notes: Forecasts shown above are based on the materials available as of the date of publication of this report, and actual results may differ from those forecasts due to various factors.

The operating results by reportable segments are summarized as follows:

(Commercial property business)

In the commercial property business, facility transaction volumes at SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, remained steady, partly due to events during Golden Week and the summer vacation as well as the upsurge in demand at mass consumer electronics stores prior to the consumption tax hike, with net sales showing an increase year-on-year.

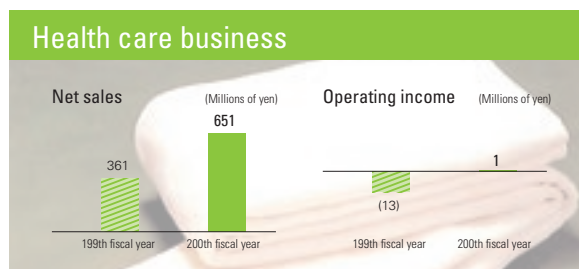
As a result, net sales in the commercial property business totaled ¥1,193 million (up 0.7% year-on-year), and operating income amounted to ¥495 million (up 8.5% year-on-year), representing year-on-year increases in sales and profits.



(Health care business)

In both the health care business section and the general bed and bedding section, net sales increased year-on-year as the result of the business acquisition at the end of the prior fiscal year.

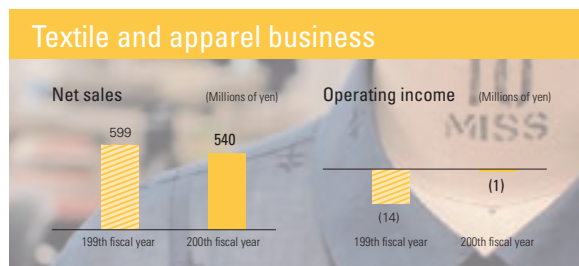
As a result, net sales in the health care business increased to ¥651 million (up 80.2% year-on-year), and operating income rose to ¥1 million (up from operating loss of ¥13 million in the same period of the prior fiscal year), marking first-half profit for the first time in five fiscal years and year-on-year increases in sales and profits.



(Textile and apparel business)

Net sales in the apparel section decreased year-on-year, partly due to the harsh condition of the domestic apparel market. In the uniform section, net sales increased year-on-year due to the growth in sales to the public sector.

As a result, although net sales in the textile and apparel business decreased to ¥540 million (down 10.0% year-on-year), operating loss improved year-on-year to ¥1 million (operating loss of ¥14 million in the same period of the prior fiscal year), thanks to improved profitability.



In conclusion

Taking the opportunities presented by our 125th anniversary which we will celebrate in 2020, the Group will further accelerate its initiatives on a new stage with the strategies set forth in the “Get Ahead of the Future” Mid-term Management Policy.

We would like to ask our shareholders for their continued support and guidance.

[TOPICS 1] Wadatetsu Company Starts Up in the Health Care Business

In March 2019, the Company took over the health care business of the former WATEX Co., Ltd., a cloth and bedding wholesaler in Osaka with over 100 years' history. Based on its sales capabilities with a strong awareness of health care, the acquired business is extremely complementary in such areas as regionality and product lineup because: 1) its main territory is west Japan, which is a weaker area for the Company; 2) it handles functional health-related materials; and 3) it has many wholesaling departments and sectors close to retailing, which is an area the Company intends to strengthen. Since the acquisition, business results have been progressing as anticipated and the business is contributing to increased sales and profits in the Company's health care business.

In addition, we are also progressing with new product development and working on new themes, including participation in exhibitions at Tokyo Big Sight.





[TOPICS 2]

daitobo

S p e c i a l

Kazuhiro Yamauchi

President and Representative Director

The Company's health care business focuses on sleep-related business that provides good-quality sleep, and we expect net sales to double compared with the prior fiscal year, partly due to the business acquisition. We are also making efforts to obtain health care-related qualifications within the company in response to the growing presence of the health care business section. Under these circumstances,



Firstly, in fact, many of our employees have taken the Health Management Proficiency Test this fiscal year, mainly in the Daitobo Group's health care business section, and in the next fiscal year we are thinking about applying for the group test as a company. As the Chief Executive, can you tell us briefly about Health Management Proficiency?



Health Management Proficiency started out in 1992 as a general instructor qualification for health managers. Against the backdrop of the subsequent increase in health awareness, and with the sponsorship of the Ministry of Education, Culture, Sports, Science and Technology, today over 65,000 people have been certified under Health Management Proficiency. The successful candidates are contributing to society by widely utilizing the accurate knowledge they have concerning health among corporate entities, schools, and local governments.



I think it's wonderful that as we enter an era of a declining birthrate and aging population, the

number of people who are learning accurate knowledge about health through the proficiency test is increasing, and that there are a growing number of people who will make a social contribution not only to themselves but also to the world and to people. In response to these types of social needs, the health care business section of the Daitobo Group is also trying to provide customers with correct information about health while expanding its product range with a focus on products related to sleep. I think that Health Management Proficiency is an extremely useful tool to increase such knowledge.



I'm happy to hear that it is also being used for work. By the way, is the Daitobo Group also working extensively on health management?



Actually this year the Company was awarded one of the few "certifications of health management" under the general health insurance system in Tokyo. All executives and employees understand that this is not just about each person's physical and mental health but that



Reiko Yasumura

**Chief Executive, Health Management Proficiency Association
Managing Director, Japanese Association of Preventive
Medicine for Adult Disease**

we have invited Ms. Reiko Yasumura, Chief Executive of the Health Management Proficiency Association, and Managing Director of the Japanese Association of Preventive Medicine for Adult Disease to talk to Kazuhiro Yamauchi, President and Representative Director, about the theme of “health management.”

the company organization was recognized for engaging in daily operations while maintaining a healthy condition as a collective body for individuals’ health. As a company operating a health care business, I think this is something for which we can be proud.

Yasumura The concept of health care is a broad one, covering areas from medical care to body care and sports, but I think that it is important in terms of health management to care for the mind and body prior to suffering an illness. “Sleep” is an extremely important factor from this perspective. I think the fact that the Daitobo Group is engaged in health care with “sleep” as a keyword can be effective also from the perspective of preventing lifestyle-related diseases. I sincerely hope that you will continue to contribute to the creation of a healthy and rewarding lifestyle in the age of a declining birthrate and aging population through the health care business.

Yamauchi The Daitobo Group intends to make a further leap forward as we celebrate our 125th anniversary in



Reiko Yasumura Profile

Chief Executive, Health Management Proficiency Association
Managing Director, Japanese Association of Preventive Medicine for Adult Disease
Executive Secretary, Ministry of Education, Culture, Sports, Science and Technology's National Council for the “Early to Bed, Early to Rise, and Don't Forget Your Breakfast” Campaign
Supervising Pharmacist
Active in promotion activities for “Health Management Proficiency” sponsored by the Ministry of Education, Culture, Sports, Science and Technology, and as a health lecturer.

2020, the year of the Tokyo Olympics and the Tokyo Paralympics, and we aim to contribute to the healthy and rewarding lifestyles of an even greater number of people through the health care business. Thank you very much for your time today.



TOPICS 3

New Building “SUN TO MOON Oasis” Opening in March 2020 at the SUN TO MOON Kakitagawa Commercial Facility

SUN TO MOON Kakitagawa is a wide-area commercial complex opened in 1997 in a prime location next to Kakitagawa River, which is one of Japan’s three largest clear rivers, with views of Mt. Fuji. The Company is proceeding with expansion of floor space and renovation (the 4th stage development), and in October 2018 constructed an annex where we relocated and opened “SWEN,” a store for outdoor life supplies. Construction was largely completed in September 2019, and we took possession of the new building, “SUN TO MOON Oasis,” a connecting bridge, and a new multi-story car park. Opening is scheduled for mid-March 2020.



■ The facility concept is “Bridge to a Brighter Life.”

The new “SUN TO MOON Oasis” is a three-story building with approximately 7,000 m2 of tenanted floor space consisting of 31 stores. 14 of these stores will be local stores with roots in the eastern part of Shizuoka Prefecture, and will offer products and services that closely match the area’s lifestyle, in collaboration with popular stores nationwide. The facility concept is “Bridge to a Brighter Life.” The building will be connected to the main building and annex, and our aim is to add color to the daily lives of local customers and to be a bridge leading to a more vibrant life.

The outline of each floor is as follows:

● 1F Library Café & Select Food

Centered around a bakery & café-style TSUTAYA BOOKSTORE, the first in the eastern part of Shizuoka Prefecture, this floor will feature a number of unique stores that will add color to daily life, including specialty food retailers and bedding stores.

● 2F Restaurant Street & Select Goods

Here we present a full-fledged restaurant zone. This area will also consist of stores offering beauty services and fashion goods providing strong support for everyday chic.

● 3F Kids & Variety

In addition to large-scale stores offering an extensive selection of kids’ & baby fashion and family casual fashion, this floor also features amusement areas to support the child-raising generation.



Prime location with views of Mt. Fuji



The new “SUN TO MOON Oasis” building

Review of Financial Results

Consolidated balance sheet

(Thousands of yen)

Description	End of the first half of this fiscal year (as of September 30, 2019)	End of the prior fiscal year (as of March 31, 2019)
(Assets)		
Current assets	3,472,601	3,053,350
Non-current assets	19,470,806	17,799,711
Property, plant and equipment	18,743,140	17,067,530
Intangible assets	197,318	204,276
Investments and other assets	530,347	527,904
Total assets	22,943,407	20,853,062
(Liabilities)		
Current liabilities	2,199,547	3,750,950
Non-current liabilities	16,281,334	12,793,693
Total liabilities	18,480,881	16,544,644
(Net assets)		
Shareholders' equity	(31,399)	(180,029)
Capital stock	100,000	100,000
Retained earnings	(121,617)	(270,247)
Treasury shares	(9,781)	(9,781)
Accumulated other comprehensive income	4,478,979	4,477,563
Stock acquisition rights	14,946	10,884
Total net assets	4,462,526	4,308,418
Total liabilities and net assets	22,943,407	20,853,062

Consolidated statement of income

(Thousands of yen)

Description	For the first half of this fiscal year (from April 1, 2019 to September 30, 2019)	For the first half of the prior fiscal year (from April 1, 2018 to September 30, 2018)
Net sales	2,385,782	2,147,439
Cost of sales	1,685,039	1,564,930
Gross profit	700,742	582,509
Selling, general and administrative expenses	451,577	394,068
Operating income	249,165	188,440
Non-operating income	4,621	7,046
Non-operating expenses	101,644	85,468
Ordinary income	152,141	110,018
Profit before income taxes	152,141	110,018
Income taxes-current	4,709	3,562
Income taxes-deferred	(1,198)	(37,546)
Profit	148,630	144,002
Profit attributable to owners of parent	148,630	144,002

Consolidated statement of cash flows

(Thousands of yen)

Description	For the first half of this fiscal year (from April 1, 2019 to September 30, 2019)	For the first half of the prior fiscal year (from April 1, 2018 to September 30, 2018)
Cash flows from operating activities	171,413	23,645
Cash flows from investing activities	(1,596,184)	(192,040)
Cash flows from financing activities	1,705,816	189,982
Effect of exchange rate change on cash and cash equivalents	(293)	(30)
Net increase (decrease) in cash and cash equivalents	280,751	21,557
Cash and cash equivalents at the beginning of the period	1,725,283	1,777,319
Cash and cash equivalents at the end of the period	2,006,034	1,798,876

Business fields

Commercial property business

Daitobo's commercial properties are the go-to place for pleasant lifestyles. We will offer enriched living space based on our vision of "creating space that delights our customers."

- Shopping malls



Health care business

In response to the aging population and rising health consciousness, the Company supports the healthy and comfortable life of customers with products drawing on our proprietary technology. Our strength lies in the high technological ability of the Group's domestic production bases.

- Health-promoting textile materials-related
- Home-use medical devices
- General bed and bedding
- Health-promoting foodstuffs



Textile and apparel business

Daitobo will satisfy the diverse needs of our customers, from apparel fashion to uniforms, based on its vision of "creating products that delight our customers."

- Uniforms for both official and civilian users
- Production-management type OEM operations
- Knitwear planning



Members of the Board of Directors

President and Representative Director	Kazuhiro Yamauchi	Outside Director (Audit and Supervisory Committee Member)	Haruki Iinuma
Vice President and Representative Director	Toshiyasu Nomura	Outside Director (Audit and Supervisory Committee Member)	Takashi Kagami
Director and Senior Executive Officer	Shogo Mieda	Outside Director (Audit and Supervisory Committee Member)	Shusaku Okumura
Outside Director	Yasunobu Sawada	Executive Officer	Hiroshige Aoki
Director (Audit and Supervisory Committee Member)	Yuji Kakuma	Executive Officer	Wataru Iida

(Note 1) Messrs. Yasunobu Sawada, Haruki Iinuma, Takashi Kagami and Shusaku Okumura are Outside Directors (independent directors).

(Note 2) The Company has an Audit and Supervisory Committee which is composed of four (4) Audit and Supervisory Committee Members.



Wataru Iida Shogo Mieda Shusaku Okumura Takashi Kagami Kazuhiro Yamauchi Toshiyasu Nomura Yuji Kakuma Yasunobu Sawada Haruki Iinuma Hiroshige Aoki

Corporate Overview/Status of Shares (as of September 30, 2019)

Corporate Overview

Established	February 27, 1896
Capital stock	¥100,000,000
Place of business	
Head Office	6-1 Nihonbashihoncho 1-chome, Chuo-ku, Tokyo, Japan +81-3-6262-6565
Nagoya Sales Department	17-9 Honmachi 4-chome, Ichinomiya-shi, Aichi, Japan +81-586-23-4811
Wadatetsu Company/Osaka Sales Department	5-7 Honmachi 2-chome, Chuo-ku, Osaka, Japan +81-6-6267-6655 (Wadatetsu Company) +81-6-6262-8322 (Osaka Sales Department)
Group companies	Daitobo Estate Co., Ltd. (Shizuoka) Niigata Daitobo Co., Ltd. (Niigata) DAITOBOSHOKU (SHANGHAI) CORPORATION (China)

Status of Shares

Total number of shares authorized to be issued	96,000,000 shares
Total number of shares issued	30,000,000 shares
Total number of shareholders	11,642

Principal Shareholders (Top 10)

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	938	3.14
First Brothers Co., Ltd.	682	2.28
Japan Trustee Services Bank, Ltd. (Trust account 5)	620	2.07
SEED INC.	501	1.67
Developer Sanshin inc.	500	1.67
Japan Trustee Services Bank, Ltd. (Trust account 2)	328	1.10
Kazuhiro Igarashi	320	1.07
Shinyo Co., Ltd.	280	0.93
SBI Securities Co., Ltd.	271	0.91
Japan Trustee Services Bank, Ltd. (Trust account)	264	0.88

Note: Shareholding ratio is calculated excluding treasury stock (68,749 shares).

Guide to Shareholder Benefits

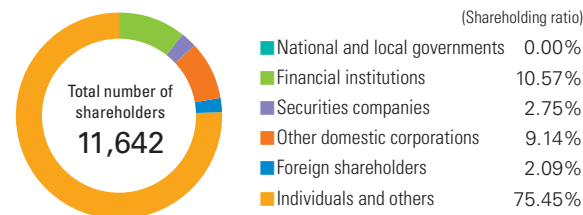
1 Eligible shareholders

The program targets shareholders who own 100 shares or more of the Company's shares for six consecutive months or longer and are registered or recorded in the shareholders' register as of March 31 of each year.

2 Detail of the plan

Consecutively held period	Number of shares held		
	100 shares or more but less than 1,000 shares	1,000 shares or more but less than 2,000 shares	2,000 shares or more
Six months or more but less than one year	One benefit discount coupon for products available at the Company's internet shopping site	① QUO card worth ¥2,000 ② One benefit discount coupon for products available at the Company's internet shopping site	① QUO card worth ¥4,000 ② One benefit discount coupon for products available at the Company's internet shopping site
One year or more	Two benefit discount coupons for products available at the Company's internet shopping site	① QUO card worth ¥3,000 ② Two benefit discount coupons for products available at the Company's internet shopping site	① QUO card worth ¥5,000 ② Two benefit discount coupons for products available at the Company's internet shopping site

Breakdown of Shares by Type of Shareholder



Information for Shareholders

Fiscal year	From April 1 to March 31 of the following year
Record dates for dividend of surplus	Year-end dividend March 31 Interim dividend September 30
Annual General Meeting of Shareholders	June every year
Administrator of shareholders' register (special account management institution)	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Mailing address	8-4 Izumi 2-chome, Suginami-ku, Tokyo168-0063, Japan Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 0120-782-031 (toll-free in Japan)
(For telephone inquiries)	
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 Nikkei.

IR Information

Please visit the Company's website with IR information such as summary of financial results and securities report, as well as the latest financial information and matters for timely disclosure.



<http://www.daitobo.co.jp/ir/>



Daitobo Co., Ltd.

<http://www.daitobo.co.jp/>

For inquiries regarding this report, please contact: Business Management Headquarters TEL: +81-3-6262-6565