

The **199**th Fiscal Year

Interim Business Report

April 1, 2018 – September 30, 2018

Management's message



Kazuhiro Yamauchi
President and Representative Director

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 199th fiscal year (from April 1, 2018 to September 30, 2018).

<Introduction>

During the first half of the fiscal year ending March 31, 2019, the Japanese economy continued in a moderate recovery trend, partly attributable to various policies, as evidenced by improvement in the employment and income environment in the midst of emerging concerns over trade friction.

Under these circumstances, the Company Group continued to work diligently on various initiatives based on the "Get Ahead of the Future" Mid-term Management Policy launched this fiscal year.

<Business results for the first half>

Although net sales increased to ¥2,147 million (up 1.6% year on year), operating income amounted to ¥188 million (down 17.2% year on year) and ordinary income was ¥110 million (down 35.0% year on year) due to the recording of depreciation associated with the 4th stage development in the commercial property business, as well as the recording of one-time expenses, including registration expenses pertaining to the execution of a syndicate loan. Meanwhile, tax expenses improved as the result of a reduction in capital to ¥100 million as of August 31, 2018, and profit attributable to owners of parent increased to ¥144 million (up 10.5% year on year) due to the recording of income taxes-deferred and taking into account tax burden such as income tax.

In addition, we revised our forecast for the business results for the full year based on the business results for the first half of the fiscal year (please refer to the graphs below). The deficit in retained earnings as of September 30, 2018 in the consolidated balance sheet (undisclosed on a non-consolidated basis) improved to ¥462 million (down ¥2,091 million compared with the end of the prior fiscal year) as the result of a reduction in capital to ¥100 million.

<Business results by segment> (Commercial property business)

The 4th stage development at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, was commenced on schedule and a separate building was opened in advance on October 11, 2018. In this environment, net sales in the commercial property business increased to ¥1,185 million (up 1.2% year on year) due to efforts made to draw in more customers by

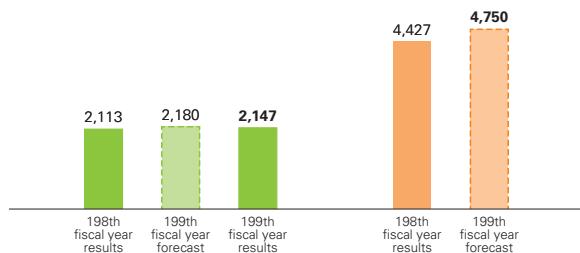
Consolidated financial highlights

■ Net sales

¥2,147 million

Up 1.6% year on year
Down 1.5% from business results forecast

■ First half ■ Full year (Millions of yen)

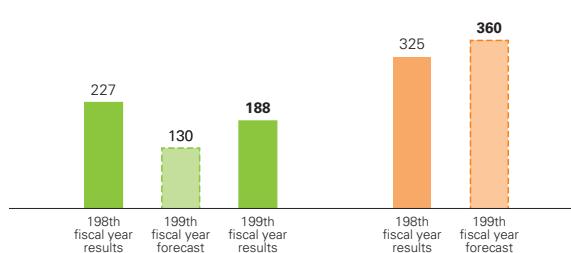


■ Operating income

¥188 million

Down 17.2% year on year
Up 45.0% from business results forecast

■ First half ■ Full year (Millions of yen)



strengthening summer sales and summer vacation-related projects. However, operating income amounted to ¥457 million (down 2.0% year on year) due to the recording of depreciation of ¥53 million associated with the implementation of the 4th stage development.

(Health care business)

Although sales of general summer bedding struggled, net sales in the health care business increased to ¥361 million (up 3.5% year on year) and operating loss improved to ¥13 million (compared with an operating loss of ¥25 million in the same period of the prior fiscal year) as the result of a focus on the planning, manufacture and sales of health business-related products, for which demand is solid.

(Textile and apparel business)

Net sales in the textile and apparel business increased to ¥599 million (up 1.3% year on year), supported by the China domestic sales business operated by the Company's subsidiary in China, despite a lack of motivation among consumers to purchase apparel. However, operating loss amounted to ¥14 million (compared with the operating loss of ¥2 million in the same period of the prior fiscal year) partly due to the loss recorded on inventory disposal in the apparel section.

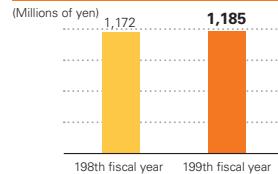
<In conclusion>

In the first half of this fiscal year, we worked steadily on various measures based on our Mid-term Management Policy, and also carried out a capital reduction in accordance with a resolution approved at the General Meeting of Shareholders in June of this year. As a result, our business results, including financial aspects, have remained steady. Going forward, we are committed to working to improve mid- to long-term corporate value based on our corporate philosophy of fostering a spirit of enterprise and of social contribution by helping others through self-help, also from the perspective of ESG. We would like to ask our shareholders for their continued support and guidance.

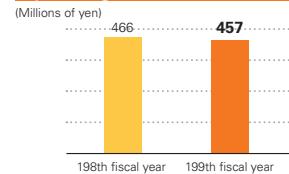
Business results by segment (Graphs show business results for the first half)

Commercial property business

Net sales

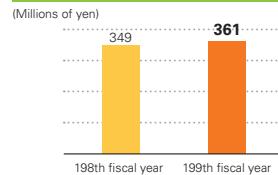


Operating income

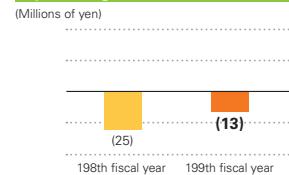


Health care business

Net sales

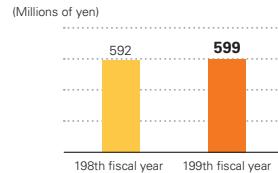


Operating income

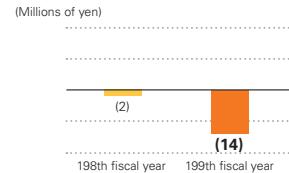


Textile and apparel business

Net sales



Operating income

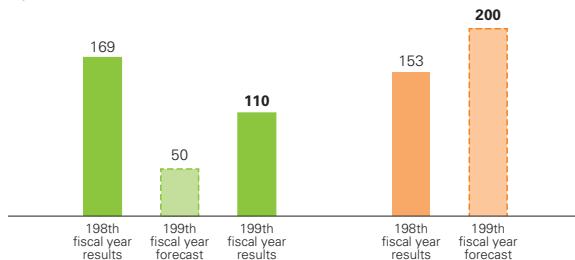


■ Ordinary income

¥110 million

Down 35.0% year on year
Up 120.0% from business results forecast

■ First half ■ Full year (Millions of yen)

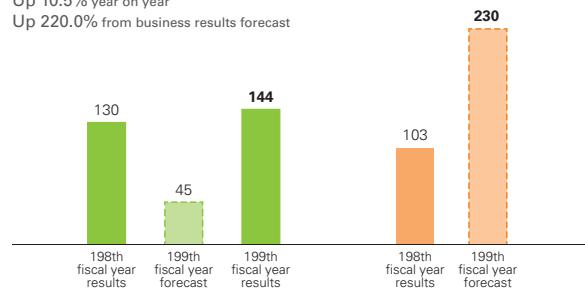


■ Profit attributable to owners of parent

¥144 million

Up 10.5% year on year
Up 220.0% from business results forecast

■ First half ■ Full year (Millions of yen)



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.



Kazuhiro Yamauchi

President and Representative Director

As we prepare to celebrate our 123rd anniversary, we have created a new logo and are accelerating business development in accordance with the theme “Get Ahead of the Future.” This time, in keeping with this theme, “Get Ahead of the Future,” we invited Miwa Oba, a



Actually, the Company has a deep connection with climbing. At the SUN TO MOON Kakitagawa commercial facility (located near Mishima in Shizuoka Prefecture), which is the Company’s main business, there is an outdoor specialty store with training facilities for climbing that has been there since we first opened the facility over 21 years ago. I heard that at the time of opening it had the highest climbing wall in Japan. We have also built a separate building as part of the 4th stage development of SUN TO MOON Kakitagawa currently in progress, and as recently as October 11, the outdoor specialty store SWEN was opened with refurbished climbing facilities. (See photo)

was born. In the Company’s long history of 123 years, you are tackling even larger new investments. Does this mean that you are always looking to the future?



For many years, the Group suffered in the unprofitable textile business. But I believe that the Company is where it is now as the result of continuing to take on the challenge of going in new directions, despite failures, based on the belief that there is always a solution. The 4th stage development of SUN TO MOON Kakitagawa that we are currently focusing on is a new challenge that will open the way to the Company’s future. You know, I think that climbing is a sport that is a constant repetition of unceasing effort and new challenges against a wall that is almost impossible to climb. What is the appeal in this for you?



I was surprised that the Daitobo Group has been involved with climbing since before I



Outdoor specialty store SWEN opened on October 11, 2018



Climbing facilities



Climbing involves falling hundreds of times in order to succeed once. It requires a person to constantly repeat the pattern of falling and climbing, and if you embark on it thinking that you’re going to fail, you will never reach that final goal. The feeling of exhilaration that comes when you discover the path and climb to the end is difficult to replicate. As well

Miwa Oba

Professional climber

professional climber from the world of sport climbing, which has been selected as an additional event for the 2020 Tokyo Olympics, to talk to Kazuhiro Yamauchi, President and Representative Director, about the theme of “challenge and adventure.”

as this, there are extremely difficult rockfaces around the world, and the adventure and challenge that comes with conquering them is one of my dreams. If you conquer an unknown rockface that no one has ever climbed before, that rockface is named after you and there are actually rockfaces that have been named after me.



You continue to challenge the unknown and go on new adventures through climbing while experiencing unimaginable difficulties. The Group's corporate philosophy of fostering a spirit of enterprise is about flexibly responding to change and incorporating new things, and that spirit is constantly present in the “Get Ahead of the Future” Mid-term Management Policy that we are currently working on. Going forward, the Group will continue to take on challenges and maintain sustainable growth at an even greater level by overcoming the rapidly changing management environment. I know that you will also continue the challenge of reaching even greater heights.



Yes. I want to keep on challenging the many difficult rockfaces all around the world. I think that I will encounter many obstacles during that

Miwa Oba Profile

Oba's specialty within sport climbing is bouldering, and she has recorded various achievements both in Japan and abroad since her youth, as well as representing Japan in 2015 and 2016. Today she is active as a professional climber in her goal to take on the challenge of natural rockfaces. Oba has appeared in multiple TV programs, commercials and events. She was born in Aichi Prefecture in 1998.

process, but it would make me very happy to think that people were supporting me in my challenge. I would also like to actively participate in activities to help more people come to know about sport climbing so that the number of fans will grow.



We will support you so that your dreams come true. The Group will do its utmost to make a further leap forward as we commemorate our 125th anniversary in 2020, the year of the Tokyo Olympics and the Tokyo Paralympics.



Review of Financial Results

Consolidated balance sheet

(Thousands of yen)

Description	End of the first half of this fiscal year (as of September 30, 2018)	End of the prior fiscal year (as of March 31, 2018)
(Assets)		
Current assets	2,860,617	2,959,388
Non-current assets	16,157,186	15,929,467
Property, plant and equipment	15,639,222	15,497,544
Intangible assets	6,373	8,181
Investments and other assets	511,590	423,741
Total assets	19,017,804	18,888,855
(Liabilities)		
Current liabilities	1,674,943	1,646,688
Non-current liabilities	13,054,077	12,791,231
Total liabilities	14,729,020	14,437,919
(Net assets)		
Shareholders' equity	(372,287)	(558,177)
Capital stock	100,000	1,500,000
Capital surplus	—	503,375
Retained earnings	(462,509)	(2,554,346)
Treasury shares	(9,777)	(7,206)
Accumulated other comprehensive income	4,653,923	5,004,849
Stock acquisition rights	7,146	4,264
Total net assets	4,288,783	4,450,935
Total liabilities and net assets	19,017,804	18,888,855

Consolidated statement of income

(Thousands of yen)

Description	For the first half of this fiscal year (from April 1, 2018 to September 30, 2018)	For the first half of the prior fiscal year (from April 1, 2017 to September 30, 2017)
Net sales	2,147,439	2,113,985
Cost of sales	1,564,930	1,494,507
Gross profit	582,509	619,478
Selling, general and administrative expenses	394,068	391,988
Operating income	188,440	227,489
Non-operating income	7,046	3,813
Non-operating expenses	85,468	62,089
Ordinary income	110,018	169,214
Profit before income taxes	110,018	169,214
Income taxes-current	3,562	40,068
Income taxes-deferred	(37,546)	(1,208)
Profit	144,002	130,354
Profit attributable to owners of parent	144,002	130,354

Consolidated statement of cash flows

(Thousands of yen)

Description	For the first half of this fiscal year (from April 1, 2018 to September 30, 2018)	For the first half of the prior fiscal year (from April 1, 2017 to September 30, 2017)
Cash flows from operating activities	23,645	177,917
Cash flows from investing activities	(192,040)	9,334
Cash flows from financing activities	189,982	(183,447)
Effect of exchange rate change on cash and cash equivalents	(30)	(551)
Net increase (decrease) in cash and cash equivalents	21,557	3,252
Cash and cash equivalents at the beginning of the period	1,777,319	1,668,446
Cash and cash equivalents at the end of the period	1,798,876	1,671,698

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
- Health-promoting foodstuffs ● General bed and bedding



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

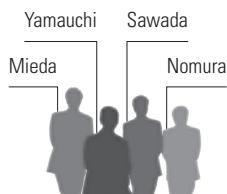


Members of the Board of Directors

Directors (excluding Directors serving as Audit and Supervisory Committee Members)



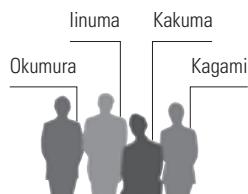
President and Representative Director Kazuhiro Yamauchi
 Vice President and Representative Director Toshiyasu Nomura
 Director and Executive Officer Shogo Mieda
 Outside Director Yasunobu Sawada



Directors serving as Audit and Supervisory Committee Members



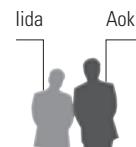
Director (Audit and Supervisory Committee Member) Yuji Kakuma
 Outside Director (Audit and Supervisory Committee Member) Haruki Iinuma
 Outside Director (Audit and Supervisory Committee Member) Takashi Kagami
 Outside Director (Audit and Supervisory Committee Member) Shusaku Okumura



Executive Officers



General Manager, Textile and Apparel Business Headquarters Hiroshige Aoki
 General Manager, Commercial Facility Business Headquarters, President of Daitobo Estate Co., Ltd. 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.

Corporate Overview/Status of Shares (as of September 30, 2018)

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
Osaka Sales Department	3-6 Minamiyuhojimachi 2-chome, Chuo-ku, Osaka, Japan +81-6-6262-8322
Group companies	Daitobo Estate Co., Ltd. (Shizuoka) Niiigata Daitobo Co., Ltd. (Niiigata) DAITOBOSHOKU (SHANGHAI) CORPORATION (China)

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	①QUO card worth ¥2,000 ②One benefit discount coupon for products available at the Company's internet shopping site	①QUO card worth ¥4,000 ②One 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	①QUO card worth ¥3,000 ②Two benefit discount coupons for products available at the Company's internet shopping site	①QUO card worth ¥5,000 ②Two benefit discount coupons for products available at the Company's internet shopping site

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, Tokyo 168-0063, 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.

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	10,040

Principal Shareholders (Top 10)

Shareholder name	Number of shares held (Thousand shares)	Shareholding ratio (%)
First Brothers Co., Ltd.	682	2.27
Japan Trustee Services Bank, Ltd. (Trust account 5)	611	2.04
SEED INC.	501	1.67
Developer Sanshin inc.	500	1.67
MIKI SECURITIES CO., LTD.	500	1.67
JAPAN SECURITIES FINANCE CO., LTD.	405	1.35
Japan Trustee Services Bank, Ltd. (Trust account 2)	401	1.34
Matsui Securities Co., Ltd.	339	1.13
The Master Trust Bank of Japan, Ltd. (Trust account)	302	1.00
Kazuhiro Igarashi	300	1.00

Note: Shareholding ratio is calculated excluding treasury stock (68,699 shares).

Breakdown of Shares by Type of Shareholder



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