Financial Information as of March 31, 2016

(The English translation of the
"Yukashoken-Houkokusho" for
the year ended March 31, 2016)

Daito Woolen Spinning & Weaving Company, Limited

【Cover】

【Document Submitted】	Securities Report (“*Yukashoken-Houkokusho*”)
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【Company Name】	Daito Boshoku Kabushiki Kaisha
【Company Name (in English)】	Daito Woolen Spinning & Weaving Company, Limited
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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		192nd	193rd	194th	195th	196th
Year ended		March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Net sales	Thousands of yen	8,101,237	8,179,708	7,548,836	5,937,473	5,407,011
Ordinary income (loss)	Thousands of yen	56,547	53,333	77,905	(519,849)	74,797
Profit (loss) attributable to owners of parent	Thousands of yen	31,459	15,410	27,966	(644,117)	124,831
Comprehensive income	Thousands of yen	430,315	156,060	239,767	(279,051)	149,864
Net assets	Thousands of yen	4,636,973	4,790,170	4,429,546	4,150,472	4,300,315
Total assets	Thousands of yen	22,764,241	22,054,350	20,778,686	20,405,300	18,996,244
Net assets per share	Yen	141.08	144.57	147.98	138.65	143.66
Basic earnings (loss) per share	Yen	1.05	0.51	0.93	(21.52)	4.17
Diluted earnings per share	Yen	—	—	—	—	—
Equity ratio	%	18.6	19.6	21.3	20.3	22.6
Rate of return on equity	%	0.8	0.4	0.6	(15.0)	3.0
Price earnings ratio	Times	69.5	137.3	78.5	(3.4)	14.4
Cash flows from operating activities	Thousands of yen	388,753	610,417	308,124	92,427	(229,557)
Cash flows from investing activities	Thousands of yen	(49,693)	(52,597)	(408,051)	(127,119)	50,264
Cash flows from financing activities	Thousands of yen	(193,412)	(414,053)	54,863	(27,045)	(52,686)
Cash and cash equivalents at end of the period	Thousands of yen	937,711	1,093,231	978,786	919,966	687,297
Employees (the average number of part-time employees not included)	Persons	107 (645)	105 (564)	105 (447)	102 (70)	101 (35)

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 192nd, 193rd, 194th, and 196th fiscal year are not presented because Daito Woolen Spinning & Weaving Company, Limited (the “Company”) had no securities with dilutive effects. Diluted earnings per share for the 195th fiscal year are equivalent to net loss per share and not presented because the Company had no securities with dilutive effects.

3. Effective from the 196th fiscal year, the former “Profit (loss)” has been presented as “Profit (loss) attributable to owners of parent” by applying accounting standards such as “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, released on September 13, 2013).

(2) Non-consolidated financial data

Fiscal year		192nd	193rd	194th	195th	196th
Year ended		March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Net sales	Thousands of yen	5,431,157	5,064,798	4,450,019	5,075,136	4,265,457
Ordinary income (loss)	Thousands of yen	22,695	2,396	43,520	(755,331)	38,532
Profit (loss)	Thousands of yen	21,518	(18,387)	13,907	(769,940)	238,438
Capital stock	Thousands of yen	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Number of shares issued	Shares	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Net assets	Thousands of yen	4,431,512	4,440,239	4,448,619	3,940,439	4,250,889
Total assets	Thousands of yen	21,757,003	20,895,398	20,279,933	19,139,378	18,524,091
Net assets per share	Yen	148.03	148.33	148.61	131.64	142.01
Cash dividends per share (Interim cash dividends included herein)	Yen	— (—)	— (—)	— (—)	— (—)	— (—)
Basic earnings (loss) per share	Yen	0.72	(0.61)	0.46	(25.72)	7.97
Diluted earnings per share	Yen	—	—	—	—	—
Equity ratio	%	20.4	21.2	21.9	20.6	22.9
Rate of return on equity	%	0.5	(0.4)	0.3	(18.4)	5.8
Price earnings ratio	Times	101.4	(114.8)	158.7	(2.8)	7.5
Dividend payout ratio	%	—	—	—	—	—
Employees (the average number of part-time employees not included)	Persons	48 (15)	46 (14)	51 (11)	46 (9)	51 (5)

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

2. Diluted earnings per share for the 192nd, 194th, and 196th fiscal year are not presented because the Company had no securities with dilutive effects. Diluted earnings per share for the 193rd and 195th fiscal year are equivalent to net loss per share and not presented because the Company had no securities with dilutive effects.

2. History

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

3. Description of business

The Company Group (or the "Group") consists of the Company (Daito Woolen Spinning & Weaving Company, Limited), 4 subsidiaries, and 2 affiliates. The Group is engaged in textile and apparel business of which the main business is manufacturing and sales of apparel products (clothing and uniforms) and fiber (material), etc., the commercial property business of which main business is operation and management of real estate rental and commercial facilities, and the health care business of which the main business is manufacturing and sales of beds and bedding, etc.

A resolution was passed in July 2015 for the dissolution of Rockingham PENTA Co., Ltd., and liquidation procedures are underway.

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) Textile and apparel business

Apparel section	The section where a part of apparel purchased by a subsidiary DAITOBOSHOKU (SHANGHAI) CORPORATION is sold through the Company. In addition, the section where subsidiary Rockingham PENTA Co., Ltd sells apparel and an affiliate NINGBO SHANJING APPAREL CO. LTD. manufactures and sells apparel.
Uniform section	The section where the Company sells uniforms.
Textile section	The section where the Company and an affiliate Takara Textile Industry Co., Ltd. sells fiber materials, etc.

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

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

(3) 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.

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

繊維・アパレル事業	Textile and apparel business
織物製造販売会社	Textile manufacturing and sales company
※宝繊維工業㈱	*Takara Textile Industry Co., Ltd.
衣料品	Apparel
製造販売会社	Manufacturing and sales company
◎寧波杉京服飾有限公司	◎NINGBO SHANJING APPAREL CO. LTD.
販売会社	Sales company
㈱ロッキンガムペンタ	Rockingham PENTA Co., Ltd.
上海大東紡織貿易有限公司	DAITOBOSHOKU (SHANGHAI) CORPORATION
商業施設事業	Commercial property business
商業施設の運営委託	Consignment of operations of commercial facilities
商業施設の運営・管理	Operation and management of commercial facilities
大東紡エステート㈱	Daitobo Estate Co., Ltd.
ヘルスケア事業	Health care business
寝装品	Bed and bedding
製造販売会社	Manufacturing and sales company
新潟大東紡㈱	Niigata Daitobo Co., Ltd.
（当社）大東紡織㈱	(The Company) Daito Woolen Spinning & Weaving Company, Limited
得意先	Customers

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

4. Information on subsidiaries and affiliates

Name of company	Location	Capital	Principal businesses	Percentage of voting rights held (%)	Business relationship
(Consolidated subsidiaries) Daitobo Estate Co., Ltd. (Note 2 and 3)	Shimizu-cho, Sunto-gun, Shizuoka	Thousands of JPY 30,000	Commercial property business	100	Operation of Company-owned commercial facilities is outsourced to this unit Interlocking executives: Yes Lease of facilities: Yes
Rockingham PENTA Co., Ltd. (Note 4)	Chuo-ku, Tokyo	Thousands of JPY 10,000	Textile and apparel business	100	Sells a part of apparel which the Company sells Interlocking executives: Yes Financial assistance: 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
(Affiliates accounted for by the equity method) NINGBO SHANJING APPAREL CO. LTD.	Ningbo, People's Republic of China	Thousands of USD 7,600	Textile and apparel business	48	Interlocking executives: Yes

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

   Principal financial data: Daitobo Estate Co., Ltd.

1) Net sales	¥ 2,029,961 thousand
2) Ordinary income	¥ 30,760 thousand
3) Profit	¥ 20,364 thousand
4) Net assets	¥ 175,227 thousand
5) Total assets	¥ 2,118,100 thousand

4. A resolution was passed in July 2015 for the dissolution of Rockingham PENTA Co., Ltd., and liquidation procedures are underway.

5. Employees

(1) Consolidated companies

(As of March 31, 2016)

Name of segment	Number of employees	
Textile and apparel business	19	(29)
Commercial property business	30	(—)
Health care business	32	(4)
Subtotal of reportable segments	81	(33)
Corporate (common)	20	(2)
Total	101	(35)

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, 2016, 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.

3. The number of temporary employees decreased by 35 from the prior fiscal year due mainly to the dissolution of Rockingham PENTA Co., Ltd. in the textile and apparel business.

(2) The Company

(As of March 31, 2016)

Number of employees		Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)
51	(5)	43.7	14.4	5,212

Name of segment	Number of employees	
Textile and apparel business	17	(2)
Commercial property business	3	(—)
Health care business	11	(1)
Subtotal of reportable segments	31	(3)
Corporate (common)	20	(2)
Total	51	(5)

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, 2016, and are not included in the number of full-time employees.

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

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

(3) Trade union

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

2. Business Overview

1. Overview of business results

(1) Operating results

During the fiscal year under review, the Japanese economy maintained moderate recovery momentum supported by improved corporate earnings and a brighter employment and income picture as government economic measures and financial easing measures from the Bank of Japan took effect. However, weakness set in from the turn of the year, due to anemic consumer sentiment amid a strong yen and falling share prices. Overseas economic trends, including the European sovereign debt crisis, slowdown in China and other newly emerging economies and the fall in resource prices, also continued to raise concerns.

In the textile and apparel sector, there were signs of recovery momentum on the back of buoyant “inbound” demand (from overseas visitors to Japan) and increased sales of premium price products, combined with a rebound from the slump of the previous year when Japan’s consumption tax increase kicked in. However, there were also signs of sluggishness in certain segments due partly to weakened consumer sentiment from the beginning of the year and the impact of unseasonal weather.

The shopping center sector enjoyed strong sales to overseas tourists visiting Japan at home electronics and other mass retail outlets, showing recovery momentum compared with the previous year when consumer sentiment was depressed by the consumption tax increase. However, sales growth was blunted after the turn of the year as sales of winter wear were hit by the warm winter in Japan and consumer sentiment worsened.

The health care sector was somewhat subdued. Although core demand remained firm due to the growing health-awareness boom, the very hot summer and warm winter took a toll on bed and bedding sales.

Against this background, based on the “Beyond 120th” Mid-term Management Plan, the Group continued to step up measures to develop growth strategies in its commercial property and health care businesses. In its textile and apparel business, the Group took measures to push forward a range of structural reorganization policies, with partial revision of the mid-term management plan.

In the textile and apparel business, the Company completed its structural reorganization including dissolution of its men’s suits sales subsidiary and its withdrawal from the materials and design-type proposal OEM business. While significantly cutting selling, general and administrative expenses including employee shakeouts in these businesses, the Company worked to escape from red ink in this business segment after a better-than-expected performance by the men’s suits business “Sayonara” (closing down) sale and other positives. However, earnings disappointed, due in part to an increase of the allowance for doubtful accounts at the end of the period under review with regard to certain business partners.

In the commercial property business, performance was solid. We stepped up advertising and promotional activities through television, radio and other media, and strengthened measures in the field of family-participation events mainly targeting parents of young children in the regions. At the same time, we replaced tenants, undertook partial refurbishments and took measures to uphold customer footfall levels. However, there was some earnings fallout from temporary closure of a large bowling alley tenant and lower revenues during rebuilding works.

We transferred personnel to the health care business, and took measures to expand sales of proprietary products such as the health-promoting fabric EWOOL and bio-linen. We also took measures to develop new products, including addition of antibacterial and deodorizing properties to EWOOL and miniature thermal and electric potential therapy devices. However, the increase in expenses from redeploying personnel and persistently high raw-material costs affected earnings negatively.

As a result, net sales of the Group for the year ended March 31, 2016 totaled ¥5,407 million (decreasing by 8.9% from the prior fiscal year). Despite increased unit revenues from the health care business and uniform section, reduced revenues due to structural reorganization of the textile and apparel business took their toll. At the same time, operating income was ¥378 million (compared with an operating loss of ¥232 million for the prior fiscal year), due partly to the effects of a reduction in selling, general and administrative expenses including personnel costs. Ordinary income was ¥74 million (compared with an ordinary loss of ¥519 million for the prior fiscal year), due to recording of gain on sales of shares, initial expenses from a syndicated loan and interest expenses for borrowings, etc. Furthermore, profit attributable to owners of parent was ¥124 million (compared with a net loss attributable to owners of parent of ¥644 million for the prior fiscal year), due partly to the recording of extraordinary income of ¥64 million on the partial transfer of the business of the men’s suits sales subsidiary. This brought us back into profitability on a year-on-year basis. We were also able to post a profit with a year-on-year increase in each of these four quarters from the first quarter in each profit category (cumulative basis).

The operating results by reportable segments are summarized as follows:

(Textile and apparel business)
In the apparel section, sales were down significantly year-on-year due to withdrawal from the men’s suits sales business and materials and design-type proposal OEM business. In the uniform section, sales were up year-on-year due partly to large orders from the private sector. Turning to earnings, although the Company is getting out of the red at the operating line in the textile and apparel business due to a significant year-on-year decrease in selling, general and administrative expenses from structural reorganization, provisions of the allowance for doubtful accounts and other outgoings amounted to around ¥50 million at the end of the period.

As a result, net sales in the textile and apparel business for the current fiscal year totaled ¥2,237 million (decreased by 18.0% from the prior fiscal year), and operating loss amounted to ¥49 million (improved by ¥661 million from the prior fiscal year).

(Commercial property business)

In the commercial property business, sales and earnings were both down year-on-year. The operating margin improved on the back of an overall robust performance by food and consumer electronics mass retailing at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, as a result of measures to build up customer footfall through advertising and promotion activities and special summer and year-end events. But this was outweighed by negatives including earnings fallout from temporary closure of a bowling alley tenant and lower revenues during rebuilding works.

As a result, net sales in the commercial property business totaled ¥2,324 million (decreased by 3.1% from the prior fiscal year), and operating income amounted to ¥883 million (decreased by 1.0% from the prior fiscal year).

(Note) From the first quarter accounting period (consolidated basis), the name of a reportable segment "real estate business" was changed to "commercial property business." This change affects only the name, and has no impact on segment information.

(Health care business)

Sales in the health care business section were up year-on-year. Although sales of the premium price EWOOL Camel Series launched in the previous fiscal year were sluggish, bio-linen spring and summer bedding items and household thermal and electric potential therapy devices saw steadily growing sales.

In the general bed and bedding section, sales rose year-on-year due to the continuing robustness of orders for commercial-use bed and bedding. However, the operating income decreased year-on-year amid persistently high raw material costs and expenses from an increase in personnel that could not be absorbed.

As a result, net sales in the health care business totaled ¥845 million (increased by 4.3% from the prior fiscal year), and operating loss amounted to ¥10 million (compared with an operating income of ¥35 million for the prior fiscal year).

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

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year reflected ¥229 million in net cash used in operating activities (¥92 million provided in the prior fiscal year), ¥50 million in net cash provided by investing activities (¥127 million used in the prior fiscal year), and ¥52 million in net cash used in financing activities (¥27 million used in the prior fiscal year).

As a result of these activities, cash and cash equivalents decreased by ¥232 million (25.3%) from the end of the prior fiscal year to ¥687 million.

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

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥229 million (¥92 million provided in the prior fiscal year). This was mainly attributable to a decrease of ¥361 million in provision for sales returns, a decrease of ¥522 million in notes and accounts receivable-trade, a decrease of ¥182 million in inventories, a decrease of ¥498 million in notes and accounts payable-trade, and a decrease of ¥293 million in guarantee deposits received.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to ¥50 million (¥127 million used in the prior fiscal year). This was mainly due to ¥94 million in purchase of property, plant and equipment and intangible assets, ¥49 million in proceeds from sales of investment securities, ¥64 million in proceeds from transfer of business, and ¥26 million in proceeds from sales of investments in capital.

(Cash flows from financing activities)

Net cash used in financing activities was ¥52 million (¥27 million used in the prior fiscal year). This was mainly attributable to ¥2,140 million in proceeds from long-term loans payable, ¥2,631 million in repayments of long-term loans payable, ¥650 million in proceeds from issuance of bonds, ¥184 million in redemption of bonds, and ¥26 million in repayments of lease obligations.

2. Production, orders received and sales

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

3. Issues to be addressed

(1) We expect to see ongoing moderate recovery momentum in the Japanese economy, with further improvement in the employment and income picture. However, falling resource prices and a persistently strong yen in foreign exchange markets will likely combine with the long time needed before we see any effects of economic and financial policy-tuning by the government and the Bank of Japan to heighten uncertainties. In addition, trends in China and other newly emerging economies and in the Europe, as well as the prognosis for the US presidential elections, are also matters for concern. We believe that we will continue to face an environment that needs to be watched for economic downside risk.
In the fiscal year ended March 31, 2010, (the 190th fiscal year), the Group racked up successive operating and net losses as a result of the severe slump in the men's suits sales subsidiary. This, combined with the burdens of funding for phase 2 and 3 of the redevelopment of "SUN TO MOON Kakitagawa" and dealing with the working capital deficit in the loss-making men's suits sales subsidiary, pushed interest-bearing debt to a high level. Although there has been in progress in this area, the issue has not yet been fully resolved. This situation could prompt substantial doubts as to the viability of the business as a going concern.
To address this situation, the Group took measures based on the "KAIKAKU" Mid-term Management Plan 2010 for the 191st-193rd fiscal years (fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2013). The main goals in this plan, overhauls of our business and cost structures, have been more or less achieved as planned. The Group has also made progress in terms of both earnings and financial position, enabling generation of profit attributable to owners of parent for two successive fiscal years, as well as reduction of interest-bearing debt to greater than targeted levels.
The "Beyond 120th" Mid-term Management Plan was launched in the fiscal year ended March 31, 2014 (194th fiscal year). Under it, we took measures to create a platform for long-term development of the Group, pivoted on measures for a growth strategy.
In these circumstances, the Company has decided to implement structural reforms in the textile and apparel business during the current fiscal year, centered on the withdrawal from the men's suits sales business, given the rapid weakening of the Japanese yen and the protracted nature of the market slowdown following the consumption tax rise.
Specific measures have included strengthening operations at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, as part of a growth strategy of increasing earnings potential; and a strengthening of the health care business through measures such as expanding sales of products using health-promoting substances based on the Company's proprietary technology.
At the same time, in the textile and apparel business, we were able to achieve structural reorganization by pushing through radical overhauls after partial revision of the mid-term management plan, and through completion of all tasks listed below during the current fiscal year.

1) Dissolution and extraordinary liquidation of the men's suits sales subsidiary
2) Withdrawal from the materials and design-type proposal OEM business
3) Reduction of personnel in the textile and apparel business
4) Reduction of selling, general and administrative expenses in the textile and apparel business
5) Overhaul of procurement structures in the textile and apparel business
6) Review of personnel strategy in the textile and apparel business

As a result, we were able to post a profit in each of the four quarters of the period under review (cumulative basis) from the first quarter onward. After making upward revisions to earnings forecasts during the term, the Group also booked year-end operating income that was ahead of the revised forecast. We booked our highest profit attributable to owners of parent in nine years. Reductions of interest-bearing debt were also ahead of targeted levels in the plan.
Looking ahead, we have launched the "Bridge to the Future" Mid-term Management Plan for the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2018 (the 197th and 198th fiscal years).
Given the uncertain macro-economic prospects, the "Bridge to the Future" Mid-term Management Plan is a shortened and concentrated two-year plan. Measures undertaken take due account of the need to improve the share price, with launch of initiatives to strengthen our financial position and a policy emphasis on establishing a robust platform for our core businesses and ensuring higher level of earnings.
Specific measures are as follows.
Issue to be addressed (1): Maintaining a position to outperform rivals and strengthening our competitive advantage in the commercial property business. To achieve this, the Group will enhance the attractiveness of facilities, and take measures to further increase their appeal to families, a strength of the Group.
Issue to be addressed (2): Promoting business cooperation including alliances with business partners in health care business, with contribution to a society with long healthy lifespans. To this end, we are committed to sharing platforms and visions with business partners, including through alliances, by measures for total health care with a

sound night's sleep as the keynote and by pursuit of the Japan quality utilizing Group factories in Japan.

Issue to be addressed (3): Promoting preparations to enter a growth track through reconstructing the business after the structural reforms in the textile and apparel business. To achieve this, we plan to designate the original woolen-related businesses (official-use uniforms and knitwear, etc.) as businesses to be preserved and strengthened, and, with a better understanding of end-user needs, reorient operations toward creating products that will sell well.

Issue to be addressed (4): Strengthening our financial structure. To achieve this goal, we will proceed with procurement of stable, long-term funding, and resolutely set and pursue a range of financial targets for the Company. In addition, we will continue to work to reduce interest-bearing debt by continuously using surplus operating cash flow.

Issue to be addressed (5): Promoting management in line with corporate governance code. To achieve this, we will ensure swift and bold decision-making in a transparent and fair manner, taking into account the standpoint of stakeholders such as shareholders, and take independent measures to ensure sustainable growth and mid- to long-term improvement in corporate value.

Issue to be addressed (6): Promoting measures toward the Human Resources Mission in the personnel strategy, and fostering personnel that can contribute to the Company's business and society. To achieve this, we will select younger and female personnel for certain positions, and foster management talent.

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

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

1) Summary of the basic policy

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

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

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

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

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

i. Regarding the source of corporate value of the Company

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

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

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

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

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

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

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

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

ii. Corporate governance

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

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

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

In the event of actions constituting a large-scale share purchase, the Company considers it appropriate that shareholders should jointly reach a decision as to whether such action would lead to improvement of corporate value of the Company or contribute to protection of the interests of the Company and the common interests of shareholders. To decide whether or not to respond to a proposal relating to a large-scale purchase of the Company shares, etc., we believe the prospective buyer (as defined in ii. below; hereafter the same shall apply.) and Board of Directors of the Company should both provide adequate and ample information, and sufficient time must be allowed to ensure discussion. Likewise, in the event that they judge it necessary to modify or improve conditions or methods of any large-scale purchase to safeguard or improve the corporate value of the Company and protect the interests of the Company and the common interests of shareholders, the Board of Directors of the Company shall discuss with the purchasing party the conditions and methods of the large-scale purchase. Because it may be necessary to have a substitute proposal, etc. presented to shareholders, adequate time necessary for this purpose should be duly set aside.

Based on this approach, the Company decided at a Board of Directors' meeting on May 19, 2015, to introduce a takeover defense policy as a countermeasure against actions constituting large-scale purchases of the Company shares, etc. (hereafter, the "Takeover Defense Plan"). At the 195th Annual General Meeting of Shareholders held on June 25, 2015, a resolution for the introduction of this plan was approved by shareholders. The Takeover Defense Plan has stipulated matters that any purchaser would be expected to respect, and countermeasures as a response in the event of failure to comply or in the event that it is deemed that significant harm would be done to the corporate value of the Company or the interests of the Company and the common interests of shareholders.

ii. Actions that would trigger the Takeover Defense Plan

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

iii. Summary of countermeasures

Under the Takeover Defense Plan, certain set procedures are required to be followed in any Large-Scale Purchase by any Large-Scale Purchaser. In the event of failure to follow such procedures – or, despite compliance with them, it is deemed that significant harm would be done to the corporate value of the Company or the interests of the Company and the common interests of shareholders – stock acquisition rights shall be allocated free of charge to shareholders, in principle, as a defense measure against any such (unwelcome) Large-Scale Purchase.

It is expected that conditions would be attached for any allocation of stock acquisition rights (hereafter, "Stock Acquisition Rights") in line with the Takeover Defense Plan, such conditions being: (1) prohibition of exercise by the Large-Scale Purchaser or its associates, and (2) acquisition of Stock Acquisition Rights by the Company in exchange for the Company shares from shareholders other than the Large-Scale Purchaser and its associates.

In the event of a gratis allocation of Stock Acquisition Rights, the related conditions of exercise and acquisition terms could prompt significant dilution of the ratio of voting rights held by the Large-Scale Purchaser and its associates.

iv. Establishment of an independent committee

The questions of (1) whether or not the purchaser has completed the set of procedures in line with the rules laid down in the Takeover Defense Plan, and (2), if the rules in the Takeover Defense Plan have been complied with, whether or not to trigger certain countermeasures deemed necessary and appropriate to safeguard corporate value and the interests of the Company and the common interests of shareholders, shall ultimately be decided by the Board of Directors of the Company. To ensure the reasonableness and fairness of such decision-making, the Company has established an independent committee separate from the Board of Directors of the Company. The number of members of the independent committee shall be at least three and at most five, and members shall be selected by the Board of Directors from among Outside Directors, Outside Corporate Auditors, lawyers, tax specialists, certified public accountants, experts from academia, experts well versed in investment banking, and external parties with experience as directors or executive officers of other companies.

v. Disclosure of information

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

4) Reasonableness of the Takeover Defense Plan (reasons for the judgment that Takeover Defense Plan follows the basic policy, that it does not harm the common interests of the shareholders of the Company and that it is not intended to protect current status of the executives of the Company)

For the following reasons, the Board of Directors of the Company believes that Takeover Defense Plan follows the basic policy stated in 1) above, that it does not harm the common interests of shareholders of the Company and that it is not intended to protect the current status of the executives of the Company.

i. Requirements of guidelines for the takeover defense policy have been met in full
ii. It has been introduced with the purpose of improving corporate value, and safeguarding the interests of the Company and the common interests of shareholders
iii. Decisions of shareholders have been given priority
iv. The judgments of highly independent external parties have been given priority
v. Reasonable objective criteria have been established
vi. It is possible to obtain advice from independent, third-party specialists
vii. The Takeover Defense Plan is neither a deadhand or slowhand defensive strategy

Please refer to the Company's website for more details of the Takeover Defense Plan.
(http://www.daitobo.co.jp/; in Japanese)

4. Risks related to business

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

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

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

(3) Interest-bearing debt
The balance of interest-bearing debt at the end of the period under review due to phase 2 and 3 developments at the SUN TO MOON Kakitagawa commercial property and other factors was ¥9,135 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.

(4) Major events, etc.

		193rd fiscal year	194th fiscal year	195th fiscal year	196th fiscal year
Year-end		March 2013	March 2014	March 2015	March 2016
Net sales	(Thousands of yen)	8,179,708	7,548,836	5,937,473	5,407,011
Operating income (loss)	(Thousands of yen)	373,444	377,283	(232,610)	378,801
Profit (loss) attributable to owners of parent	(Thousands of yen)	15,410	27,966	(644,117)	124,831
Total assets	(Thousands of yen)	22,054,350	20,778,686	20,405,300	18,996,244
Interest-bearing debt	(Thousands of yen)	9,723,042	9,324,225	9,250,506	9,135,017

In the fiscal year ended March 31, 2010 (the 190th fiscal year), the Group's interest-bearing debt burden had risen to a high level. The impact of booking consecutive operating losses and losses attributable to owners of parent due to the severe earnings impact of the slump in the men's suits sales subsidiary was exacerbated by the burden of development funding for phases 2 and 3 of SUN TO MOON Kakitagawa, and a working capital deficit and other negatives in the men's suits sales subsidiary. Although there has been in progress in repayment, the issue has not yet been fully resolved. This situation could prompt substantial doubts as to the viability of the business as a going concern.
However, as stated in "3. Issues to be addressed" and "7. Analysis of financial position, operating results and cash flows (5)," we do not have any significant doubts that the Company can continue as a going concern, given our implementation of measures to turn around and progress the current situation.

5. Important business contracts

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

6. Research and development activities

Not applicable

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

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

(1) Significant accounting policies and estimates

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

Although the Company believes that the estimates made reasonably reflect past experience as well as present circumstances, the actual results could differ because of the uncertainty inherent in those estimates. The significant accounting policies applied for the preparation of the consolidated financial statements are explained in "1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements" in "5. Financial Information." However, in management's opinion, the management team's accounting estimates could materially affect the Group's financial position and business results, especially with regard to the following items:

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover losses on debts based on the loan repayment default rate for general receivables and a case by case consideration of potential collectability for specified debts including doubtful receivables. The Group may need to increase the allowance if the financial circumstances of debtors were to deteriorate more drastically than anticipated, and if their ability to pay their debts was thus significantly impaired.

2) Impairment of investments

The Group owns shares in specified customers and financial institutions for the purpose of upholding long-term relations, etc. Investment impairment losses are booked if it is judged that a fall in the value of investments is not temporary. There is a risk of having to book valuation losses in the event that losses arise that are not reflected in current book value, or book value becomes unrecoverable, due to deterioration in market conditions or poor performance at investment targets in years ahead.

(2) Analysis of financial position

1) Assets

The balance of total assets as of the end of the current fiscal year decreased by ¥1,409 million from the end of the prior fiscal year to ¥18,996 million (¥20,405 million for the prior fiscal year). This was mainly due to a decrease of ¥232 million in cash and deposits, a decrease of ¥511 million in notes and accounts receivable-trade, a decrease of ¥182 million in inventories, and a decrease of ¥323 million in property, plant and equipment.

2) Liabilities

The balance of liabilities as of the end of the current fiscal year decreased by ¥1,558 million from the end of the prior fiscal year to ¥14,695 million (¥16,254 million as of the end of the prior fiscal year). This was mainly due to a decrease of ¥488 million in notes and accounts payable-trade, a decrease of ¥361 million in provision for sales returns, and a decrease of ¥588 million in long-term loans payable.

3) Net assets

The balance of net assets as of the end of the current fiscal year increased by ¥149 million from the end of the prior fiscal year to ¥4,300 million (¥4,150 million as of the end of the prior fiscal year). This was mainly due to an increase of ¥124 million in retained earnings, a decrease of ¥64 million in valuation difference on available-for-sale securities, an increase of ¥121 million in revaluation reserve for land, and a decrease of ¥32 million in foreign currency translation adjustment.

(3) Analysis of operating results

1) Net sales

Net sales for the current fiscal year were ¥5,407 million, a decrease of ¥530 million (8.9% year-on-year). A major factor was withdrawal from the men's suits sales business and materials and design-type proposal OEM business as part of structural reorganization of the textile and apparel business. This outweighed a sound performance by the uniform section, which enjoyed large-scale orders for uniforms from the private sector, and the health care business, where sales of bio-linen spring and summer bedding, home-use thermal and electric potential therapy devices and commercial-use bed and bedding were strong.

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

Cost of sales for the current fiscal year were ¥4,100 million, a decrease of ¥560 million (12.0% year-on-year), and its ratio for sales improved by 2.7 percentage points from 78.5% in the previous year to 75.8% in the term under review. Selling, general and administrative expenses for the current fiscal year were ¥927 million, a decrease of ¥581 million (38.5% year-on-year). Major factors affecting the cost of sales were the absence in the year under review of the cumulative provision for reserves connected with the withdrawals from the men's suits sales business and the original design manufacture fabric business undertaken in the previous fiscal year. Major cost-increasing factors in selling, general and administrative expenses were the structural reforms implemented in textile and apparel business.

3) Operating income and expenses

Net operating income for the current fiscal year amounted to ¥378 million, an increase of ¥611 million from the prior fiscal year (net operating loss of ¥232 million). This result was mainly due to improvements in the cost of sales ratio in the wake of structural reorganization of the textile and apparel business and a reduction in SG&A costs.

4) Non-operating income and expenses

Non-operating income for the current fiscal year amounted to ¥84 million, an increase of ¥64 million (325.3% year-on-year). Non-operating expenses amounted to ¥388 million, an increase of ¥81 million (26.6% year-on-year). As a result, net non-operating loss amounted to ¥304 million, an increase of ¥16 million from the prior fiscal year. This result was mainly due to an increase in non-operating expenses from syndicated-loan related costs, which outweighed an increase in non-operating income from gain on sales of investment securities and gain on sales of investments in capital.

5) Profit or loss before income taxes

Profit before income taxes for the current fiscal year increased by ¥754 million from the prior fiscal year to ¥139 million (¥615 million of loss before income taxes for the prior fiscal year). This was due to a ¥611 million boost at the operating line which outweighed a ¥16 million non-operating deterioration, a ¥64 million extraordinary income from the partial transfer of the men's suits sales subsidiary business, and the absence of extraordinary losses booked in the previous fiscal year.

6) Profit or loss attributable to owners of parent

Profit attributable to owners of parent for the current fiscal year increased by ¥768 million from the prior fiscal year to ¥124 million (¥644 million of loss attributable to owners of parent for the prior fiscal year). This result was mainly due to the aforementioned increase of ¥754 million in profit before income taxes.

(4) Cash flow information

Net cash used in operating activities in the current fiscal year amounted to ¥229 million (¥92 million provided in the prior fiscal year). This was mainly attributable to a decrease of ¥361 million in provision for sales returns, a decrease of ¥522 million in notes and accounts receivable-trade, a decrease of ¥182 million in inventories, a decrease of ¥498 million in notes and accounts payable-trade, and a decrease of ¥293 million in guarantee deposits received.

Net cash provided by investing activities in the current fiscal year amounted to ¥50 million (¥127 million used in the prior fiscal year). This was mainly due to ¥94 million used for purchase of property, plant and equipment and intangible assets, ¥49 million in proceeds from sales of investment securities, ¥64 million in proceeds from transfer of business, and ¥26 million in proceeds from sales of investments in capital.

Net cash used in financing activities was ¥52 million in the current fiscal year (¥27 million used in the prior fiscal year). This was mainly attributable to ¥2,140 million in proceeds from long-term loans payable, ¥2,631 million in repayments of long-term loans payable, ¥650 million in proceeds from issuance of bonds, ¥184 million in redemption of bonds and ¥26 million in repayments of lease obligations.

As a result of these activities, cash and cash equivalents at the end of the current fiscal year decreased by ¥232 million (25.3%) from the end of the prior fiscal year to ¥687 million.

(5) Analysis and discussion of major events, etc. listed under risks related to business and measures for resolution and improvement

As stated in "4. Risks related to business, (4) Major events, etc.," the situation faced by the Group could prompt substantial doubts as to the viability of the business as a going concern.

To deal with this situation, overhauls of the business and cost structures, pillars of the "KAIKAKU" Mid-term Management Plan 2010 for the three years from the fiscal year ended March 31, 2011 (the 191st fiscal year) to the fiscal year ended March 31, 2013 (the 193rd fiscal year), have been completed more or less as planned. The Group has also made progress in terms of both earnings and financial position, enabling generation of profit attributable to owners of parent for two successive fiscal years, as well as reduction of interest-bearing debt to greater than targeted levels.

In the fiscal year ended March 31, 2014 (the 194th fiscal year), we launched the "Beyond 120th" Mid-term Management Plan. Under it, the Group has taken measures to create a platform for long-term development, centered on growth strategy measures.

Under these circumstances, the Company has decided to implement structural reforms in the textile and apparel business during the current fiscal year, centered on the withdrawal from the men's suits sales business, given the rapid weakening of the Japanese yen and the protracted nature of the market slowdown following the consumption tax rise.

Specific measures have included strengthening operations at the SUN TO MOON Kakitagawa, one of the leading commercial facilities in Shizuoka Prefecture, as part of a growth strategy of increasing earnings potential; and a strengthening of the health care business through measures such as expanding sales of products using health-promoting substances based on the Company's proprietary technology.

At the same time, in the textile and apparel business, we were able to achieve structural reorganization by pushing through overhauls after partial revision of the mid-term management plan, and through completion of all tasks listed below during the current fiscal year.

By continuing with the "Beyond 120th" Mid-term Management Plan, the Group has made progress in terms of both earnings and financial position during the fiscal year ended March 31, 2016 (the 196th fiscal year), and secured net profit on a consolidated basis in line with targets. At the same time, we continue to work to reduce interest-bearing debt by continuously using surplus operating cash flow. Accordingly, we do not have any significant doubts that the Company can continue as a going concern.

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 ¥95 million. By segment, ¥91 million went into the commercial property business and ¥3 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, 2016)

Location	Name of segment	Description	Net book value: 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)	Number of employees (Persons)
Head Office (Chuo-ku, Tokyo)	Corporate Textile and apparel business Commercial property business Health care business	Head office functions and back-office operations	1,270	—	— (—)	9,336	2,317	12,924	20 (2) 15 (2) 3 (–) 8 (1)
SUN TO MOON Kakitagawa, etc. (Shimizu-cho, Sunto-gun, Shizuoka)	Commercial property business	Commercial facilities, etc. (Note 2)	6,380,290	—	8,912,070 (92,551)	183,661	22,831	15,498,853	27 (–)

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, 2016)

Location	Name of segment	Description	Number of employees (Persons)	Lease Fees (Thousands of yen/year)
Head Office (Chuo-ku, Tokyo)	Corporate Textile and apparel business Commercial property business Health care business	Head office functions and back-office operations (lease)	20 (2) 15 (2) 3 (–) 8 (1)	72,387

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

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

Not applicable

4. Corporate Information

1. Information on the Company's shares

(1) Number of shares and other

1) Number of shares

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

2) Number of shares issued

Type	Number of shares issued		Stock exchanges on which the Company is listed	Description
	As of March 31, 2016	As of June 24, 2016 (filing date of this Securities Report)		
Common stock	30,000,000	30,000,000	First Section of the Tokyo Stock Exchange and of the Nagoya Stock Exchange	The number of shares per unit is 1,000
Total	30,000,000	30,000,000	—	—

(2) Status of the stock acquisition rights

Not applicable

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

Not applicable

(4) Rights plan

Not applicable

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

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

Note: Addition to revaluation reserve

(6) Details of shareholders

(As of March 31, 2016)

Classification	Status of shares (1 unit = 1,000 shares)								Stocks of less than a standard unit
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders (other than individuals)	Foreign shareholders (individuals)	Individuals and other	Total	
Number of shareholders (Persons)	—	21	32	56	29	4	3,345	3,487	—
Number of shares held (Units)	—	4,631	2,752	1,448	805	11	20,197	29,844	156,000
Shareholding Ratio (%)	—	15.52	9.22	4.85	2.70	0.04	67.67	100	—

Notes: 1. Treasury stock of 66,213 shares are included in "Individuals and other" at 66 units, and in "Stocks of less than a standard unit" at 213 shares.

2. "Other corporations" include 7 units held under the name of Japan Securities Depository Center, Incorporated.

(7) Principal shareholders

(As of March 31, 2016)

Name	Address	Number of shares held (Thousands)	Number of shares held as a percentage of total shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	1,478	4.92
SBI SECURITIES Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	1,125	3.75
Osamu Ikemoto	Nishi-ku, Hiroshima-shi, Hiroshima	971	3.23
Rakuten Securities, Inc.	1-14-1 Tamagawa, Setagaya-ku, Tokyo	904	3.01
Mitsui Sumitomo Insurance Company, Limited	3-9 Kanda-Surugadai, Chiyoda-ku, Tokyo	610	2.03
Developer Sanshin inc.	3-11 Kanda-Nishikicho, Chiyoda-ku, Tokyo	550	1.83
Yoshio Koizumi	Kawaguchi-shi, Saitama	499	1.66
Atsushi Hida	Nara-shi, Nara	422	1.40
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11 Harumi 1-Chome, Chuo-ku, Tokyo	352	1.17
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	348	1.16
Total	—	7,259	24.19

Note: Of the above shareholdings, those held by trust banks are as follows.
The Master Trust Bank of Japan, Ltd. (Trust account) 348 thousand shares

(8) Status of voting rights

1) Shares issued

(As of March 31, 2016)

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 66,000	—	—
	(Crossholding stock) Common stock 93,000	—	—
Shares with full voting rights (Others)	Common stock 29,685,000	29,685	—
Stocks of less than a standard unit	Common stock 156,000	—	—
Total shares issued	30,000,000	—	—
Total voting rights held by all shareholders	—	29,685	—

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

2) Treasury stock, etc.

(As of March 31, 2016)

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: Daito Woolen Spinning & Weaving Company, Limited	6-6 Nihonbashikobuna-cho, Chuo-ku, Tokyo	66,000	—	66,000	0.22
Crossholding stock: Takara Textile Industry Co., Ltd.	1255-2 Hatsuoi-cho, Kita-ku, Hamamatsu-shi, Shizuoka	93,000	—	93,000	0.31
Total	—	159,000	—	159,000	0.53

(9) Stock option plans

Based on the stipulations of Article 361 of the Companies Act, the amount of remuneration, etc. of the stock acquisition rights in the form of stock remuneration-type stock options for Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company was approved at the General Meeting of Shareholders held on June 24, 2016.

Date for resolution	June 24, 2016
No. of individuals covered by the Plan	3 Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company (Note)
Type of shares to be issued upon the exercise of stock acquisition rights	Common stock
Number of shares to be issued upon the exercise of stock acquisition rights	The upper limit on stock acquisition rights to be allocated each fiscal year to Directors (excluding Directors serving as Audit and Supervisory Committee Members) is 200,000 shares in total.
Amount to be subscribed upon the exercise of stock acquisition rights	The payment per share for shares deliverable through exercise of stock acquisition rights is 1 yen per share, and the amount to be subscribed is this value multiplied by the total of shares under each stock acquisition right.
Exercise period of stock acquisition rights	To be decided at a Board of Directors' meeting, within a range of five years from the date in which three years have passed from the day following the allocation of stock acquisition rights.
Conditions for the exercise of stock acquisition rights	Recipients who have been provided stock acquisition rights shall be able to exercise such rights from the day after the loss of position as Director of the Company. Other conditions for the exercise of stock acquisition rights are determined at a Board of Directors' meeting.
Transfer of stock acquisition rights	Any and all transfers of stock acquisition rights must be approved by the Board of Directors of the Company.
Matters relating to subrogation payment	—
Matters relating to the issuance of stock acquisition rights as a result of organizational restructuring action	—

(Note) Company's executive officers will also be receiving stock acquisition rights of the same nature as those described above.

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	301	21,478
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, 2016 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	66,213	—	66,213	—

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, 2016 to the filing date of this Securities Report.

3. Dividend policy

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

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

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

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

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

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

	192nd fiscal year	193rd fiscal year	194th fiscal year	195th fiscal year	196th fiscal year
Year-end	March 2012	March 2013	March 2014	March 2015	March 2016
Highest (Yen)	94	82	100	80	97
Lowest (Yen)	55	56	61	66	55

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

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

Month	October 2015	November	December	January 2016	February	March
Highest (Yen)	70	76	72	66	63	61
Lowest (Yen)	64	67	61	56	55	57

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

5. Members of the Board of Directors and Statutory Auditors

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

Function	Position	Name (Date of birth)	Career summary		Term of office	Number of shares owned (Shares)
President and Representative Director	—	Kazuhiro Yamauchi (January 5, 1957)	April 1979 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 Director and Senior Managing Executive Officer, General Manager, Business Management Headquarters, General Manager, Personnel Division President and Representative Director (current post)	(Note 3)	35,000
Vice President and Representative Director	—	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	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 (current post)	(Note 3)	28,000
Director	Executive Officer, General Manager, Business Management Headquarters, General Manager, Corporate Planning Division	Shogo Mieda (February 12, 1969)	April 1990 September 2010 June 2012 June 2015	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, General Manager, Corporate Planning Division (current post)	(Note 3)	4,000
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) Director of the Company (current post)	(Note 3)	—
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 4)	67,000

Function	Position	Name (Date of birth)	Career summary	Term of office	Number of shares owned (Shares)
Director (Audit and Supervisory Committee Member)	—	Haruki Iinuma (April 19, 1948)	April 1976 Registered as an attorney April 1978 Established IINUMA LAW OFFICE (current position) April 2000 Registered as a licensed tax accountant June 2011 Corporate Auditor of the Company June 2016 Director (Audit and Supervisory Committee Member) (current post)	(Note 4)	—
Director (Audit and Supervisory Committee Member)	—	Takashi Kagami (December 19, 1976)	September 2001 Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) July 2005 Registered as a certified public accountant August 2006 Joined Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (concurrent) November 2013 Registered as a licensed tax accountant Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (current post) June 2016 Director (Audit and Supervisory Committee Member) of the Company (current post)	(Note 4)	—
Director (Audit and Supervisory Committee Member)	—	Shusaku Okumura (June 16, 1952)	April 1977 Joined Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited) April 2003 General Manager, Nursing Care & Service Office of Mitsui Sumitomo Insurance Company, Limited April 2006 President and Representative Director of American Appraisal Japan Co., Ltd. April 2008 General Manager, Risk Management Division of Mitsui Sumitomo Insurance Company, Limited October 2010 General Manager, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. April 2013 Fixed-term employee, Corporate Risk Management Dept. of MS&AD Insurance Group Holdings, Inc. March 2016 Retired from MS&AD Insurance Group Holdings, Inc. June 2016 Director (Audit and Supervisory Committee Member) of the Company (current post)	(Note 4)	—
Total					134,000

Notes:
1. The Company has transitioned to a company with an Audit and Supervisory Committee on June 24, 2016 based on the approval of amendments to the Articles of Incorporation in the General Meeting of Shareholders held on the same date.
2. Messrs. Yasunobu Sawada, Haruki Iinuma, and Takashi Kagami are Outside Directors.
3. One year from the conclusion of the General Meeting of Shareholders held on June 24, 2016.
4. Two years from the conclusion of the General Meeting of Shareholders held on June 24, 2016.
5. The Audit and Supervisory Committee is comprised as follows.
Chairman: Yuji Kakuma, Committee members: Haruki Iinuma, Takashi Kagami, and Shusaku Okumura

6. Status of Corporate governance, etc.

(1) Status of corporate governance

Basic corporate governance policy

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

1) Corporate governance system

i) Summary of the Company's corporate governance system

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

(Board of Directors)

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

(Audit and Supervisory Committee)

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

(Outside Officers' Meeting and Advisory Committee)

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

(Internal Control Committee)

The Internal Control Committee meets as a rule once a month. Set up along with the Audit and Supervisory Committee in June 2016, it has been established as an organization developed from the former Internal Management Reinforcement Committee. The President is the committee chairman and the General Manager of Internal Audit Office runs the operational business office. Executive officers at the grade of general manager and higher also attend, along with Directors 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, etc.)
The General Managers' Meeting, attended by Directors (excluding Directors serving as Audit and Supervisory Committee Members), Executive Officers, the Director serving as a full-time Audit and Supervisory Committee Member, and executives at the grade of general manager and above, is held once a month for discussions on important matters concerning management policy and performance of duties. A reporting meeting is also held once a month as a rule to follow the progress of operations at the Group companies.

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

株主総会	General Meeting of Shareholders
報告	Reporting
選任解任	Appointment and dismissal
選任解任	Appointment and dismissal
選任解任	Appointment and dismissal
社外役員会議	Outside Officers' Meeting
助言・提言	Advice and suggestion
取締役会	Board of Directors
監査等委員会	Audit and Supervisory Committee
監査等委員である取締役	Directors serving as Audit and Supervisory Committee Members
連携	Cooperation
会計監査人	Accounting Auditor
監査・監視	Auditing and monitoring
補佐	Assistance
諮問委員会	Advisory Committee
人事・報酬	Personnel affairs and compensation
助言・提言	Advice and suggestion
取締役（監査等委員である取締役を除く）	Directors (excluding Directors serving as Audit and Supervisory Committee Members)
報告	Reporting
選定・解職	Selection and discharge
監視	Monitoring
連携	Cooperation
監査等委員会室	Audit and Supervisory Committee Office
指示	Direction
代表取締役社長	President and Representative Director
内部監査室	Internal Audit Office
報告	Reporting
運営	Management
部長会	General Managers' Meeting
内部統制委員会	Internal Control Committee
助言	Advice
顧問弁護士	Legal adviser
各部署・子会社	Divisions and subsidiaries

ii) Other matters related to corporate governance

- Status of the Company's internal control systems

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

- Status of the Company's risk management systems

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

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

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

iv) Outline of the limited liability agreement

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

2) Internal audits and Audit and Supervisory Committee

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

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

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

3) Outside Directors

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

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

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

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

・The Independent Outside Directors shall not be involved in execution of the business of the Company or of subsidiaries of the Company

・Independent Outside Directors shall not be significant transaction partners of the Company or the executing officer thereof

・Independent Outside Directors shall not be consultants or other kinds of specialist who derive large sums of money or other assets from the Company

・Independent Outside Directors shall not be major shareholders of the Company.

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

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

4) Compensation paid to Executives

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

Category	Total Remuneration (Thousands of yen)	Total remuneration by remuneration type (Thousands of yen)				Number of Executives (Persons)
		Basic Remuneration	Stock Option	Bonus	Retirement Benefits	
Directors (except for Outside Directors)	36,423	36,423	—	—	—	7
Corporate Auditors (except for Outside Corporate Auditors)	8,823	8,823	—	—	—	1
Outside Directors and Outside Corporate Auditors	9,510	9,510	—	—	—	3

Notes: 1. On the last day of the fiscal year under review, there were six (6) Directors and three (3) Corporate Auditors.

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

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

ii) Total amount of remuneration by executive at the Company

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

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

Total Remuneration (Thousands of yen)	Number of Executives (Persons)	Description
16,354	5	Salaries for general managers of divisions or headquarters

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

The President makes decisions regarding the Directors' compensations based on in-house regulations on executives, 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. With regard to the decision, a comprehensive evaluation is made in consideration of an individual Director's role, number of years of experience and track record, and Company expectations of his or her contribution, etc., with reference to prevailing market rates and general employee remuneration and after due consideration has been given to the Advisory Committee's opinions. For senior management executives, draft proposals are made by the President in line with the decision-making approach for Directors' compensations, with due consideration given to balancing them with the Directors' remuneration levels and based on in-house regulations relating to executive officers, etc. The decisions are subject to the approval of each Director.

5) Status of stocks held

i) Number of stocks and total amounts recorded in the balance sheet of the stocks for investment held for any purposes other than pure investment

Number of stocks: 14

Total of the amounts recorded in the balance sheet: ¥228,257 thousand

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

Prior fiscal year
Specific stocks for investment

Stocks	Number of shares held by the Company (Shares)	Amount recorded in the balance sheet (Thousands of yen)	Holding Purpose
THE SHIZUOKA BANK, LTD.	159,133	190,959	Maintain the trade relations, etc.
ENCHO Co., Ltd.	6,000	2,598	Maintain the trade relations, etc.
Isetan Mitsukoshi Holdings Ltd.	357	709	Maintain the trade relations, etc.
RENOWN INCORPORATED	100	22	Maintain the trade relations, etc.

Current fiscal year
Specific stocks for investment

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

iii) Total amount recorded in the balance sheet for the prior and current fiscal year, total amount of dividend income, gain or loss on sale, and gain or loss on valuation for the current fiscal year of stocks for investment held for any purposes other than pure investment
Not applicable

6) Audit of financial statements

The Company has signed an auditing contract with Deloitte Touche Tohmatsu LLC, which serves as Accounting Auditor and carries out audits. The names of the certified public accountants who carried out auditing in the year ended March 31, 2016 are Messrs. Masato Yoshimizu and Tatsuya Nakajima. Assisting in the audit operations are ten (10) personnel including certified public accountants. No conflict of interest in terms of interpersonal, capital or transaction relations exist with the certified public accountant and his or her assistants who carried out audit operations.

7) Requisite number of Directors

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

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

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

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

- Acquisition of the Company’s shares
  The Company has determined in its Articles of Incorporation that the Company may acquire its own shares by a resolution of the Board of Directors as stipulated in Article 165, Paragraph 2 of the Companies Act. This is intended to enable management to act flexibly in response to changes in the business environment.
- Interim dividends
  The Company has determined in its Articles of Incorporation that the Company may, upon resolution by the Board of Directors, distribute interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act, with September 30 each year as the record date. This is intended to enable flexible distribution of profit to shareholders.
- Exemption from liabilities of the Directors
  The Company has determined in its Articles of Incorporation, as stipulated in Article 426, Paragraph 1 of the

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

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

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

(2) Details of audit fee, etc.

1) Details of the remuneration to the Certified Public Accountants

(Thousands of yen)

Category	Prior fiscal year		Current fiscal year	
	Remuneration to be paid for auditing and attestation	Remuneration to be paid for non-audit services	Remuneration to be paid for auditing and attestation	Remuneration to be paid for non-audit services
The Company	31,500	—	37,250	—
Consolidated subsidiaries	—	—	—	—
Total	31,500	—	37,250	—

2) Details of other important remuneration

(Prior fiscal year)
Not applicable

(Current fiscal year)
Not applicable

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

(Prior fiscal year)
Not applicable

(Current fiscal year)
Not applicable

4) Policy on determining the audit fee

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

5. Financial Information

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

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

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 59, 1963 "Regulations Concerning the Terminology, Forms and Preparation Methods of Non-Consolidated Financial Statements."

2. Auditing and attestation

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016) were audited by Deloitte Touche Tohmatsu LLC, 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, 2015)		Current fiscal year (As of March 31, 2016)	
Assets				
Current assets				
Cash and deposits	*1	1,010,131	*1	777,476
Notes and accounts receivable-trade		1,023,884		512,836
Inventories	*2	606,242	*2	424,094
Other		86,808		141,807
Allowance for doubtful accounts		(760)		—
Total current assets		2,726,307		1,856,216
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*1	6,792,725	*1	6,488,744
Machinery, equipment and vehicles, net		3,105		0
Land	*1, *5	9,343,020	*1, *5	9,343,758
Leased assets, net		217,012		192,997
Other, net		28,370		35,422
Total property, plant and equipment	*3	16,384,234	*3	16,060,922
Intangible assets		16,669		12,995
Investments and other assets				
Investment securities	*1, *4	366,543	*1, *4	265,809
Investments in capital of subsidiaries and associates		593,260		567,601
Claims provable in bankruptcy, claims provable in rehabilitation and other		127,403		101,243
Other		315,130		228,038
Allowance for doubtful accounts		(124,249)		(96,583)
Total investments and other assets		1,278,088		1,066,110
Total non-current assets		17,678,992		17,140,028
Total assets		20,405,300		18,996,244

(Thousands of yen)

		Prior fiscal year (As of March 31, 2015)		Current fiscal year (As of March 31, 2016)
Liabilities				
Current liabilities				
Notes and accounts payable-trade		890,409		401,870
Short-term loans payable	*1	3,071,640	*1	3,168,584
Current portion of bonds	*1	100,000	*1	169,000
Income taxes payable		23,499		7,002
Provision for sales returns		361,200		—
Provision for bonuses		33,883		31,677
Provision for loss on liquidation of subsidiaries and associates		66,496		—
Other	*1	937,316	*1	783,526
Total current liabilities		5,484,446		4,561,660
Non-current liabilities				
Bonds payable	*1	300,000	*1	696,500
Long-term loans payable	*1	5,083,856	*1	4,495,106
Lease obligations		204,901		178,542
Long-term guarantee deposited	*1	2,515,903	*1	2,226,166
Deferred tax liabilities		23,385		3,194
Deferred tax liabilities for land revaluation	*5	2,334,259	*5	2,212,849
Net defined benefit liability		258,712		248,096
Asset retirement obligations		49,362		44,132
Other		—		29,681
Total non-current liabilities		10,770,381		10,134,269
Total liabilities		16,254,827		14,695,929
Net assets				
Shareholders’ equity				
Capital stock		1,500,000		1,500,000
Capital surplus		503,375		503,375
Retained earnings		(2,937,000)		(2,812,168)
Treasury shares		(7,012)		(7,033)
Total shareholders’ equity		(940,636)		(815,826)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		41,034		(23,462)
Deferred gains or losses on hedges		(648)		(484)
Revaluation reserve for land	*5	4,869,546	*5	4,990,956
Foreign currency translation adjustment		181,176		149,131
Total accumulated other comprehensive income		5,091,108		5,116,141
Total net assets		4,150,472		4,300,315
Total liabilities and net assets		20,405,300		18,996,244

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

Consolidated statement of income

(Thousands of yen)

		Prior fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)
Net sales		5,937,473		5,407,011
Cost of sales	*1	4,661,249	*1	4,100,505
Gross profit		1,276,224		1,306,506
Selling, general and administrative expenses	*2	1,508,834	*2	927,705
Operating income (loss)		(232,610)		378,801
Non-operating income				
Interest income		247		201
Dividends income		5,050		7,790
Gain on sales of investment securities		—		32,694
Gain on sales of investments in capital		—		11,539
Share of profit of entities accounted for using equity method		544		4,572
Reversal of allowance for doubtful accounts		2,360		—
Penalty income		6,798		14,765
Other		4,942		13,255
Total non-operating income		19,942		84,818
Non-operating expenses				
Interest expenses		263,223		249,542
Commission for syndicate loan		—		64,500
Other		43,957		74,780
Total non-operating expenses		307,181		388,822
Ordinary income (loss)		(519,849)		74,797
Extraordinary income				
Gain on transfer of business		—		64,814
Total extraordinary income		—		64,814
Extraordinary losses				
Loss on valuation of inventories	*3	17,787		—
Penalty for cancellation	*3	11,067		—
Provision for loss on liquidation of subsidiaries and associates	*4	66,496		—
Total extraordinary losses		95,352		—
Profit (loss) before income taxes		(615,201)		139,612
Income taxes-current		30,128		15,393
Income taxes-deferred		(1,212)		(613)
Total income taxes		28,916		14,780
Profit (loss)		(644,117)		124,831
Profit (loss) attributable to owners of parent		(644,117)		124,831

Consolidated statement of comprehensive income

(Thousands of yen)

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Profit (loss)	(644,117)	124,831
Other comprehensive income		
Valuation difference on available-for-sale securities	34,830	(64,497)
Deferred gains or losses on hedges	(682)	163
Revaluation reserve for land	241,303	121,410
Foreign currency translation adjustment	3,918	(1,812)
Remeasurements of defined benefit plans, net of tax	24,764	—
Share of other comprehensive income of entities accounted for using equity method	60,932	(30,231)
Total other comprehensive income	* 365,066	* 25,032
Comprehensive income	(279,051)	149,864
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(279,051)	149,864
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in equity

Prior fiscal year (From April 1, 2014 to March 31, 2015)

(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	(2,292,882)	(6,989)	(296,496)
Changes of items during period					
Profit (loss) attributable to owners of parent			(644,117)		(644,117)
Purchase of treasury shares				(22)	(22)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(644,117)	(22)	(644,139)
Balance at end of current period	1,500,000	503,375	(2,937,000)	(7,012)	(940,636)

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	6,203	34	4,628,242	116,325	(24,764)	4,726,042	4,429,546
Changes of items during period							
Profit (loss) attributable to owners of parent							(644,117)
Purchase of treasury shares							(22)
Net changes of items other than those in shareholders' equity	34,830	(682)	241,303	64,850	24,764	365,066	365,066
Total changes of items during period	34,830	(682)	241,303	64,850	24,764	365,066	(279,073)
Balance at end of current period	41,034	(648)	4,869,546	181,176	—	5,091,108	4,150,472

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

(Thousands of yen)

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

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

4) Consolidated statement of cash flows

(Thousands of yen)

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	(615,201)	139,612
Depreciation	443,469	419,871
Increase (decrease) in allowance for doubtful accounts	(2,360)	(28,426)
Increase (decrease) in provision for sales returns	231,543	(361,200)
Increase (decrease) in provision for bonuses	2,681	(2,206)
Increase (decrease) in net defined benefit liability	19,716	(10,615)
Interest and dividend income	(5,297)	(7,991)
Loss (gain) on sales of investment securities	—	(32,694)
Loss (gain) on sales of investments in capital	—	(11,539)
Interest expenses	263,223	249,542
Share of (profit) loss of entities accounted for using equity method	(544)	(4,572)
Loss (gain) on transfer of business	—	(64,814)
Decrease (increase) in notes and accounts receivable - trade	142,149	522,839
Decrease (increase) in inventories	(31,930)	182,144
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	97	26,159
Increase (decrease) in notes and accounts payable - trade	(44,971)	(498,521)
Increase (decrease) in guarantee deposits received	(249,877)	(293,141)
Decrease (increase) in other assets	42,923	1,600
Increase (decrease) in other liabilities	199,255	(181,113)
Subtotal	394,877	44,930
Interest and dividend income received	5,276	7,986
Interest paid	(274,150)	(248,753)
Income taxes paid	(33,577)	(33,721)
Net cash provided by (used in) operating activities	92,427	(229,557)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(125,920)	(94,121)
Proceeds from redemption of securities	—	10,000
Purchase of investment securities	(1,285)	(344)
Proceeds from sales of investment securities	—	49,696
Payments for asset retirement obligations	—	(6,674)
Proceeds from transfer of business	—	64,814
Proceeds from sales of investments in capital	—	26,807
Other	85	85
Net cash provided by (used in) investing activities	(127,119)	50,264
Cash flows from financing activities		
Proceeds from long-term loans payable	1,876,000	2,140,000
Repayments of long-term loans payable	(1,776,184)	(2,631,806)
Proceeds from issuance of bonds	300,000	650,000
Redemption of bonds	(400,000)	(184,500)
Repayments of lease obligations	(26,838)	(26,359)
Decrease (increase) in treasury shares	(22)	(21)
Net cash provided by (used in) financing activities	(27,045)	(52,686)
Effect of exchange rate change on cash and cash equivalents	2,917	(689)
Net increase (decrease) in cash and cash equivalents	(58,819)	(232,669)
Cash and cash equivalents at beginning of the period	978,786	919,966
Cash and cash equivalents at end of the period	* 919,966	* 687,297

[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: 4
   The names of consolidated subsidiaries:
   Daitobo Estate Co., Ltd.
   Rockingham PENTA 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
   The name of affiliated company:
   NINGBO SHANJING APPAREL CO. LTD.

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

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

4. Significant accounting policies
   (1) Valuation standards and methods for significant assets
   i) Securities
   Held-to-maturity securities:
   Stated at amortized cost (straight-line method).

   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)
   Operating leased assets of the Company and the related assets thereto (some of which are depreciated using the declining-balance method), as well as those of foreign consolidated subsidiaries are depreciated using the straight-line 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
   Machinery, equipment and vehicles: 6-10 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.

(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 sales returns

In order to prepare for sales returns anticipated after the last day of accounting period, necessary amount calculated based on the anticipated final amount of return is recorded.

iii) Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount is recorded as provision for bonuses.

iv) Provision for loss on liquidation of subsidiaries and associates

In order to prepare for loss on liquidation of subsidiaries and associates, the estimated amount of loss at fiscal year-end is recorded.

(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.

Differences arising from changes in accounting standards are amortized evenly over 15 years.

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

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

(6) Significant hedge accounting method

i) Hedge accounting method

Deferred hedge accounting is applied for derivative instruments.

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

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

ii) Hedging instruments and hedged items

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

iii) Hedging policy

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

iv) Assessment of hedge effectiveness

The hedge effectiveness is assessed semi-annually based on the correlation between the change in aggregated amount of cash flow of the hedged items and the change in aggregated amount of cash flow of the hedging instruments. However, assessment of hedge effectiveness is omitted for interest rate swaps that are qualified for special treatment.

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

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

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

Accounting for consumption taxes

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

(Changes in accounting policies)

“Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, released on September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, released on September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, released on September 13, 2013) and others have been applied effective from the fiscal year ended March 31, 2016. In addition, the presentation method of profit, etc. was amended, and “Minority interests” has been changed to “Non-controlling interests.” To reflect these changes in presentation, reclassifications have been made to the consolidated financial statements for the fiscal year ended March 31, 2015.

(Accounting standard to be adopted)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)

(1) Overview

Regarding the treatments on recoverability of deferred tax assets, ASBJ basically followed the framework of the Auditing Guidance No.66, Auditing Treatment for Judgment of Recoverability of Deferred Assets, whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories, and conducted necessary review regarding the following treatments.

1) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
2) Category requirements for (Category 2) and (Category 3)
3) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
4) Treatment related to the reasonable estimable period of pre-adjusted taxable income such as future temporary differences in companies that qualify as (Category 3)
5) Treatment in cases wherein companies that satisfy the requirements for (Category 4) also qualify for (Category 2) or (Category 3)

(2) Planned date of application

April 1, 2016

(3) Effect of the application of the accounting standard, etc.

The effect is under assessment as of the time of preparation of these consolidated financial statements.

(Changes in presentation)

(For consolidated statement of income)

“Purchase discounts,” which was included in “Non-operating income” in the prior fiscal year, has been included in “Other” from the current fiscal year because it decreased to less than 10/100 of the total Non-operating income. To reflect this change, the consolidated financial statements of the prior fiscal year have been reclassified.

As a result, ¥2,040 thousand of “Purchase discounts” included in “Non-operating income” and ¥2,901 thousand of “Other” have been reclassified into ¥4,942 thousand of “Other” in the consolidated statement of income for the prior fiscal year.

(For consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Cash and deposits (deposits)	80,000	80,000
Buildings and structures	6,735,064	6,433,773
Land	9,316,589	9,261,351
Investment securities	190,080	128,620
Total	16,321,734	15,903,746

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Short-term loans payable	3,038,316	3,160,225
Current portion of bonds	100,000	169,000
Other current liabilities (current portion of guarantee deposits received)	88,833	88,833
Bonds payable	300,000	696,500
Long-term loans payable	5,075,497	4,495,106
Long-term guarantee deposited	892,800	803,967
Total	9,495,446	9,413,631

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Merchandise and finished goods	600,497	414,405
Work in process	1,559	1,193
Raw materials and supplies	4,185	8,496
Total	606,242	424,094

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

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
	6,536,759	6,907,556

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

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Investment securities (stocks)	36,656	36,656

*5 Revaluation of land

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

Method of revaluation:

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

Date of revaluation: March 31, 2002

6. Discounted notes receivables (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
	54,350	44,878

(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, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
	32,655	40,586

*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, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Salaries	651,567	293,988
Provision for bonuses	25,417	23,490
Retirement benefit expenses	19,129	27,593
Provision of allowance for doubtful accounts	—	15,720

*3 Loss on valuation of inventories and penalty for cancellation

Prior fiscal year (From April 1, 2014 to March 31, 2015)

The amount was incurred as a result of the decision to liquidate the business of Rockingham PENTA Co., Ltd., a consolidated subsidiary of the Company.

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

Not applicable

*4 Provision for loss on liquidation of subsidiaries and associates

Prior fiscal year (From April 1, 2014 to March 31, 2015)

In order to prepare for loss on liquidation of Rockingham PENTA Co., Ltd., a consolidated subsidiary of the Company, the estimated amount of loss has been recorded.

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

Not applicable

(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, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:		
Amount arising during the period	50,973	(51,381)
Amount of reclassification adjustments	—	(32,694)
Before tax-effect adjustment	50,973	(84,075)
Amount of tax effects	(16,142)	19,577
Valuation difference on available-for-sale securities	34,830	(64,497)
Deferred gains or losses on hedges:		
Amount arising during the period	(701)	163
Amount of tax effects	19	—
Deferred gains or losses on hedges	(682)	163
Revaluation reserve for land:		
Amount of tax effects	241,303	121,410
Foreign currency translation adjustment:		
Amount arising during the period	3,918	(1,812)
Remeasurements of defined benefit plans, net of tax:		
Amount of reclassification adjustments	24,764	—
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	60,932	(30,231)
Total other comprehensive income	365,066	25,032

(For consolidated statement of changes in equity)

Prior fiscal year (From April 1, 2014 to March 31, 2015)

1. Shares issued and treasury stock

(Shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued:				
Common stock	30,000,000	—	—	30,000,000
Total	30,000,000	—	—	30,000,000
Treasury stock:				
Common stock (Note)	65,612	300	—	65,912
Total	65,612	300	—	65,912

Note: The increase of 300 shares in treasury stock of common stock is due to purchase of stocks of less than a standard unit.

2. Stock acquisition rights
Not applicable

3. Dividends
Not applicable

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

1. Shares issued and treasury stock

(Shares)

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

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

2. Stock acquisition rights
Not applicable

3. Dividends
Not applicable

(For consolidated statement of cash flows)

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

(Thousands of yen)

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Cash and deposits	1,010,131	777,476
Time deposits as collateral	(80,000)	(80,000)
Time deposits with maturities of more than three months	(10,165)	(10,179)
Cash and cash equivalents	919,966	687,297

(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.

Bonds payable are issued for the purpose of raising working capital.

Loans payable comprised of short-term loans from banks for working capital and long-term loans from banks for capital expenditure are exposed to interest rate fluctuation risk. For this interest rate fluctuation risk, interest swap transactions are conducted for some long-term loans to fix the amounts of interest payable.

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 operating 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 fluctuation risk pertaining to loans payable. Forward foreign exchange contracts and interest swap transactions are exposed to fluctuation risks in foreign currency exchange rate and interest rate fluctuation risk, respectively. The Company's counterparties for derivative transactions are all highly creditworthy domestic financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty default risk. These fluctuation risks are managed through periodic assessment of market value.

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

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

2. Fair value of financial instruments

The following tables indicate the amount recorded in the consolidated balance sheet, the fair value and the difference as of March 31, 2015 and March 31, 2016 for various financial instruments. Assets and liabilities for which it is deemed difficult to measure the fair value are not included in the tables below. (Refer to Note 2.)

Prior fiscal year (As of March 31, 2015)

(Thousands of yen)

	Amount recorded in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	1,010,131	1,010,131	—
(2) Notes and accounts receivable-trade	1,023,884		
Allowance for doubtful accounts	(710)		
	1,023,174	1,023,174	—
(3) Securities and investment securities			
1) Held-to-maturity securities	9,994	9,999	4
2) Other securities	232,983	232,983	—
(4) Claims provable in bankruptcy, claims provable in rehabilitation and other	127,403		
Allowance for doubtful accounts	(124,249)		
	3,153	3,153	—
Total assets	2,279,438	2,279,442	4
(1) Notes and accounts payable-trade	890,409	890,409	—
(2) Short-term loans payable (excluding current portion of long-term loans payable)	540,000	540,000	—
(3) Income taxes payable	23,499	23,499	—
(4) Bonds payable (including current portion of bonds)	400,000	400,220	220
(5) Long-term loans payable (including current portion of long-term loans payable)	7,615,496	7,668,202	52,706
(6) Lease obligations (including current portion of lease obligations)	231,260	199,263	(31,997)
(7) Guarantee deposits received (including current portion of guarantee deposits received)	2,759,377	2,710,996	(48,381)
Total liabilities	12,460,043	12,432,591	(27,452)
Derivative transactions (*)	(648)	(648)	—

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

Current fiscal year (As of March 31, 2016)

(Thousands of yen)

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

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

(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) Securities and investment securities

Fair values of both stocks and bonds are 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) Bonds payable

Fair value of bonds payable is based on the present value estimated by discounting the total principal and interest, using discount rates reflecting the remaining term and credit risk.

(5) Long-term loans payable

Fair value of long-term loans payable 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 borrowings. In addition, total principal of the long-term loans payable qualified for special treatment of interest rate swap transactions is calculated together with such interest rate swap transactions.

(6) 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.

(7) 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, 2015)	Current fiscal year (As of March 31, 2016)
Unlisted stocks	133,559	133,559
Investments in capital of subsidiaries and associates	593,260	567,601

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

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

Prior fiscal year (As of March 31, 2015) (Thousands of yen)

	Due within one year	Due after one year but within five years
Deposits	959,430	—
Notes and accounts receivable-trade	1,023,884	—
Investment securities		
Held-to-maturity securities		
Government and municipal bonds	10,000	—
Claims provable in bankruptcy, claims provable in rehabilitation and other (*)	3,109	43
Total	1,996,425	43

(*) Of claims provable in bankruptcy, claims provable in rehabilitation and other, ¥124,249 thousand, of which expected redemption amount cannot be estimated, is not included in the above table.

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

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

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

(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, 2015) (Thousands of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	540,000	—	—	—	—	—
Bonds payable	100,000	—	300,000	—	—	—
Long-term loans payable	2,531,640	2,251,256	2,164,560	571,560	71,560	24,920
Lease obligations	26,359	26,359	26,359	25,526	22,296	104,361
Other interest-bearing debt	60,199	60,200	43,330	43,330	43,330	213,360
Total	3,258,199	2,337,815	2,534,249	640,416	137,186	342,641

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

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

(For securities)

1. Held-to-maturity securities

Prior fiscal year (As of March 31, 2015) (Thousands of yen)

	Classification	Carrying amount	Fair value	Difference
Securities whose fair value exceeds their carrying amount recorded in the consolidated balance sheet	Government and municipal bonds	9,994	9,999	4
Securities whose fair value does not exceed their carrying amount recorded in the consolidated balance sheet	Government and municipal bonds	—	—	—
Total		9,994	9,999	4

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

2. Other securities

Prior fiscal year (As of March 31, 2015) (Thousands of yen)

	Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount recorded in the consolidated balance sheet exceeds their acquisition cost	Stock	232,983	172,370	60,612
Securities whose carrying amount recorded in the consolidated balance sheet does not exceed their acquisition cost	Stock	—	—	—
Total		232,983	172,370	60,612

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

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

3. Other securities sold during the fiscal year

Prior fiscal year (From April 1, 2014 to March 31, 2015)
Not applicable

Current fiscal year (From April 1, 2015 to March 31, 2016) (Thousands of yen)

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

(For derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

Prior fiscal year (As of March 31, 2015)
Not applicable

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

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

Prior fiscal year (As of March 31, 2015) (Thousands of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Appropriation treatment for forward exchange contracts	Forward foreign exchange contracts: Sell: USD	Long-term loans receivable from subsidiaries and associates	19,767	—	(643)
	Buy: USD	Accounts payable-trade	21,073	—	(4)

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

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

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

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

(2) Interest-related transactions

Prior fiscal year (As of March 31, 2015) (Thousands of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Special treatment for interest rate swaps	Interest rate swaps: Receive floating/pay fixed	Long-term loans payable	4,395,000	3,457,000	(Note)

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

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

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

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

(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, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Net defined benefit liability at the beginning of the year	238,996	258,712
Retirement benefit expenses	22,009	30,909
Retirement benefits paid	(2,293)	(41,525)
Net defined benefit liability at the end of the year	258,712	248,096

(2) Breakdown of retirement benefit expenses

(Thousands of yen)

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Service cost	22,009	30,909
Amortization of net retirement benefit obligation at transition	24,764	—
Retirement benefit expenses for defined benefit plans	46,774	30,909

(3) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of the following (before tax effects).

(Thousands of yen)

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Unrecognized net retirement benefit obligation at transition	24,764	—

(4) Remeasurements of defined benefit plans

Not applicable

(For tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(1) Current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Deferred tax assets:		
Loss on valuation of inventories	31,016	25,103
Provision for sales returns	108,257	—
Provision for bonuses	11,317	10,016
Provision for loss on liquidation of subsidiaries and associates	32,734	—
Accrued expenses	30,881	1,633
Loss on liquidation of business	1,414	—
Other	4,734	2,081
Total gross deferred tax assets	220,356	38,835
Valuation allowance	(220,356)	(38,835)
Net deferred tax assets	—	—

(2) Non-current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Deferred tax assets:		
Impairment loss	36,543	30,249
Allowance for doubtful accounts	41,087	29,573
Net defined benefit liability	83,880	76,463
Asset retirement obligations	16,716	13,725
Net operating loss brought forward	686,379	953,652
Valuation difference on available-for-sale securities	—	7,184
Other	1,767	1,435
Total gross deferred tax assets	866,375	1,112,283
Valuation allowance	(866,375)	(1,112,283)
Net deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(19,577)	—
Property, plant and equipment (asset retirement expense)	(3,807)	(3,194)
Total gross deferred tax liabilities	(23,385)	(3,194)
Net deferred tax liabilities	(23,385)	(3,194)
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,334,259)	(2,212,849)

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, 2015)	Current fiscal year (As of March 31, 2016)
Statutory tax rate	35.6%	33.1%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	(2.8%)	7.5%
Inhabitant tax on per capita basis	(0.8%)	3.6%
Change in valuation allowance	(37.1%)	(51.6%)
Different tax rates applied to consolidated subsidiaries	0.2%	19.7%
Other	0.2%	(1.6%)
Effective tax rates after adoption of tax-effect accounting	(4.7%)	10.7%

3. Amendments to deferred tax liabilities due to a change in the rate of corporation tax

In accordance with the “Act for Partial Amendment of the Income Tax Act” and the “Act for Partial Amendment of the Local Tax Act” established in the parliament on March 29, 2016, the statutory tax rate used for calculating deferred tax liabilities for the current fiscal year (limited to those to be eliminated on and after April 1, 2016) has been changed from

32.3% for the prior fiscal year to 30.9% for deferred tax liabilities that are expected to be collected or paid during the period from April 1, 2016 to March 31, 2018, or 30.6% for deferred tax liabilities that are expected to be collected or paid on or after April 1, 2018.

These tax rate changes resulted in a decrease of ¥164 thousand in deferred tax liabilities and a decrease of ¥121,410 thousand in deferred tax liabilities for land revaluation; an increase of ¥164 thousand in income taxes-deferred and an increase of ¥121,410 thousand in revaluation reserve for land in 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, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Balance at the beginning of the year	56,427	57,670
Adjustment due to passage of time	1,195	711
Decrease due to fulfillment of asset retirement obligations	—	(8,307)
Other increase (decrease)	47	(23)
Balance at the end of the year	57,670	50,051

(For investment and rental property)

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

(Thousands of yen)

			Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Commercial facilities	Carrying amount	Balance at the beginning of the year	16,120,134	15,792,895
		Increase (decrease) during the year	(327,239)	(316,873)
		Balance at the end of the year	15,792,895	15,476,022
	Fair value at the end of the year		18,861,000	18,591,000
Other	Carrying amount	Balance at the beginning of the year	377,356	378,396
		Increase (decrease) during the year	1,040	(4,988)
		Balance at the end of the year	378,396	373,407
	Fair value at the end of the year		349,311	402,087

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 ¥89,415 thousand, while major decrease is depreciation of ¥416,654 thousand.
   Major increase for the current fiscal year is capital expenditure for "SUN TO MOON Kakitagawa" of ¥72,106 thousand, while major decrease is depreciation of ¥388,980 thousand.
3. Of increase (decrease) during the year of Other, major increase for the prior fiscal year is capital expenditure of ¥6,000 thousand, while major decrease is depreciation of ¥4,959 thousand.
   Major decrease for the current fiscal year is depreciation of ¥4,988 thousand.
4. The fair value of major properties at the end of the year was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers. The fair value of other properties was calculated internally based on "Real Estate Appraisal Standards". However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of

the property from a third party or the most recent external valuation, the fair value is based on the valuation or the amount adjusted by using the index.

Profit or loss of rental property is as follows.

(Thousands of yen)

		Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Commercial facilities	Rent revenue	2,382,201	2,307,052
	Rent expense	1,416,107	1,346,639
	Difference	966,093	960,412
	Other (gain/loss on sale, etc.)	—	—
Other	Rent revenue	16,796	17,118
	Rent expense	8,390	8,474
	Difference	8,405	8,643
	Other (gain/loss on sale, etc.)	—	—

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

(Segment information, etc.)

Segment information

1. General information about reportable segments

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

The Group has Apparel Fashion & Uniform Business Headquarters, Health Care Business Headquarters, Commercial Property 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 "textile and apparel business," the "commercial property business," and the "health care business" constitute the three reportable segments of the Group.

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

2. Changes in reportable segments, etc.

The Group has changed one of its reportable segments' name from "real estate business" to "commercial property business" effective from the current fiscal year. This change affects only the name of the segment and does not constitute a change in segment information. The segment information for the prior fiscal year is also stated under the segment name after the change.

3. 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.

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

Prior fiscal year (From April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Reportable segments				Adjustments (Note 1)	Carrying amount (Note 2)
	Textile and apparel business	Commercial property business	Health care business	Total		
Net sales						
Sales to third parties	2,727,452	2,398,997	811,023	5,937,473	—	5,937,473
Inter-segment sales or transfers	44	456	—	500	(500)	—
Total	2,727,496	2,399,453	811,023	5,937,973	(500)	5,937,473
Segment profits (losses)	(711,463)	893,048	35,582	217,166	(449,777)	(232,610)
Segment assets	2,154,706	16,917,087	359,842	19,431,636	973,663	20,405,300
Other items						
Depreciation	5,182	432,113	2,169	439,464	4,005	443,469
Investment amounts to equity method companies	593,260	—	—	593,260	—	593,260
Increase amounts of fixed assets and intangible assets	—	119,881	5,389	125,270	13,154	138,424

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

(Thousands of yen)

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

Notes: 1 Details of the Adjustments are as follows:

(Thousands of yen)

Segment profits (losses)	Prior fiscal year	Current fiscal year
Corporate expense *	(449,777)	(445,173)

* 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 *	973,663	897,514

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

(Thousands of yen)

Other items	Prior fiscal year	Current fiscal year
Depreciation	4,005	6,296
Increase amounts of fixed assets and intangible assets*	13,154	3,478

* 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, 2014 to March 31, 2015)

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, 2015 to March 31, 2016)

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

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

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

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

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, 2014 to March 31, 2015)
      Not applicable

   Current fiscal year (From April 1, 2015 to March 31, 2016)
      Not applicable

(Per share information)

(Yen)

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Net assets per share	138.65	143.66
Basic earnings (loss) per share	(21.52)	4.17

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

2. The basis for calculation of the basic earnings (loss) per share is as follows.

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Profit (loss) attributable to owners of parent (Thousands of yen)	(644,117)	124,831
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit (loss) attributable to owners of parent relating to common stock (Thousands of yen)	(644,117)	124,831
Average number of shares of common stock during the fiscal year (Shares)	29,934,203	29,933,933

(Significant subsequent events)

(Syndicated loan agreement)

The Company entered into syndicated loan contracts, with Mizuho Bank, Ltd. acting as the arranger. The summary of the contracts is as follows:

1. With an execution date of April 28, 2016

(1) Contract amount

¥4,300,000 thousand (term loan)

(2) Execution date

April 28, 2016

(3) Borrowing period

From April 28, 2016 to March 31, 2021

(4) Participating financial institutions

Mizuho Bank, Ltd., THE SHIZUOKA BANK, LTD., and Sumitomo Mitsui Banking Corporation

(5) Intended use of the proceeds

Refinancing of the existing borrowings from Sumitomo Mitsui Trust Bank, Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., THE SHIMIZU BANK, LTD., ShinGinko Tokyo, Limited, and The Chiba Bank, Ltd. in the aggregated amount of ¥3,657,251 thousand, and other

(6) Assets pledged as collateral

Real estate of commercial facilities in Mishima area in Shizuoka Prefecture

(7) Financial restraint clause

1) 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.

2) 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 ending March 31, 2017 and for the immediately preceding fiscal year.

2. With an execution date of June 30, 2016

(1) Contract amount

¥5,100,000 thousand (term loan)

(2) Execution date

June 30, 2016

(3) Borrowing period

From June 30, 2016 to March 31, 2021

(4) Participating financial institutions

Mizuho Bank, Ltd., THE SHIZUOKA BANK, LTD., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and ShinGinko Tokyo, Limited

(5) Intended use of the proceeds

Refinancing of the existing borrowings from Mizuho Bank, Ltd., THE SHIZUOKA BANK, LTD., and Sumitomo Mitsui Banking Corporation, and other

(6) Assets pledged as collateral

Real estate of commercial facilities in Mishima area in Shizuoka Prefecture

(7) Financial restraint clause

1) 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.

2) 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 ending March 31, 2017 and for the immediately preceding fiscal year.

(Capital transfer agreement)

The Company entered into a contract to transfer the equity interest in Shanjing Business Administration (Ningbo) Co., Ltd. in which the Company holds interest, as of May 26, 2016. As a result of this transfer, approximately ¥100,000 thousand will be posted for the first quarter of the fiscal year ending March 31, 2017.

(Introduction of stock option scheme)

Based on the stipulations of Article 361 of the Companies Act, the remuneration, etc. of the stock acquisition rights in the form of stock options for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) of the Company was approved at the General Meeting of Shareholders held on June 24, 2016.

Details of the stock option scheme are stated in “4. Corporate Information 1. Information on the Company’s shares (9) Stock option plans.”

5) Consolidated supplemental schedules

Schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Thousands of yen)	Balance at the end of current fiscal year (Thousands of yen)	Interest rate (%)	Collateral	Maturity
The Company	2nd unsecured bonds	September 30, 2013	100,000	—	0.5	Unsecured bonds	March 31, 2016
The Company	3rd unsecured bonds	February 5, 2015	300,000	300,000	0.3	Unsecured bonds	February 5, 2018
The Company	4th unsecured bonds	June 30, 2015	—	250,500 (99,000)	0.4	Unsecured bonds	June 29, 2018
The Company	5th unsecured bonds	September 17, 2015	—	315,000 (70,000)	0.2	Unsecured bonds	September 17, 2020
Total	—	—	400,000	865,500 (169,000)	—	—	—

Notes: 1. The amounts in parentheses presented under "Balance at the end of current fiscal year" represent the amounts scheduled to be redeemed within one year.

2. The redemption schedule of bonds for 5 years subsequent to March 31, 2016 is summarized as follows:

(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
169,000	469,000	122,500	70,000	35,000

Schedule of loans payable

(Thousands of yen)

Category	Balance at the beginning of current fiscal year	Balance at the end of current fiscal year	Average interest rate (%)	Maturity
Short-term loans payable	540,000	540,000	2.5	—
Current portion of long-term loans payable (Note 3)	2,531,640	2,628,584	2.8	—
Current portion of lease obligations (Note 4)	26,359	26,359	—	—
Long-term loans payable (excluding current portion)	5,083,856	4,495,106	2.9	2017 to 2021
Lease obligations (excluding current portion)	204,901	178,542	—	2017 to 2024
Other interest-bearing debt				
Current portion of guarantee deposits received (Note 5)	60,199	60,200	2.0	—
Guarantee deposits received (due after one year) (Note 6)	403,550	340,725	2.0	2017 to 2026
Total	8,850,506	8,269,517	—	—

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 "Current portion of guarantee deposits received" is included in "Other" under current liabilities in the consolidated balance sheet.
6 In addition to the figures shown above, there are interest-free guarantee deposits received (due after one year) in the amount of ¥2,112,353 thousand as of the beginning of the current fiscal year and ¥1,885,440 thousand at the end of the current fiscal year.
7 The following table shows the aggregate annual maturities of long-term loans payable, lease obligations, and other interest-bearing debt (excluding the current portion) for 5 years subsequent to March 31, 2016.

(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	2,811,888	1,446,712	151,552	76,594
Lease obligations	26,359	25,526	22,296	21,845
Other interest-bearing debt	43,330	33,330	33,330	33,330

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, 2016 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, 2016.

(2) Other

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

(Thousands of yen)

Cumulative period	1st Quarter (Three months ended June 30, 2015)	2nd Quarter (Six months ended September 30, 2015)	3rd Quarter (Nine months ended December 31, 2015)	4th Quarter (Fiscal year ended March 31, 2016)
Net sales	1,295,650	2,809,659	4,149,465	5,407,011
Profit before income taxes	74,508	190,954	243,184	139,612
Profit attributable to owners of parent	66,001	172,689	215,309	124,831
Basic earnings per share (Yen)	2.20	5.77	7.19	4.17

Each quarter	1st Quarter (From April 1, 2015 to June 30, 2015)	2nd Quarter (From July 1, 2015 to September 30, 2015)	3rd Quarter (From October 1, 2015 to December 31, 2015)	4th Quarter (From January 1, 2016 to March 31, 2016)
Basic earnings (loss) per share (Yen)	2.20	3.56	1.42	(3.02)

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, 2015)		Current fiscal year (As of March 31, 2016)
Assets				
Current assets				
Cash and deposits	*1	287,360	*1	266,674
Notes receivable-trade		74,372		104,341
Accounts receivable-trade		628,460		374,273
Inventories	*2	467,401	*2	413,515
Advance payments-trade		5		248
Prepaid expenses		26,905		22,878
Other		27,394		84,038
Allowance for doubtful accounts		(760)		—
Total current assets		1,511,140		1,265,970
Non-current assets				
Property, plant and equipment				
Buildings		11,980,938		12,067,703
Accumulated depreciation		(5,366,811)		(5,712,657)
Buildings, net	*1	6,614,126	*1	6,355,046
Structures		916,237		916,237
Accumulated depreciation		(750,222)		(779,805)
Structures, net	*1	166,015	*1	136,432
Machinery and equipment		84,044		84,044
Accumulated depreciation		(79,842)		(79,842)
Machinery and equipment, net		4,202		4,202
Tools, furniture and fixtures		318,360		324,239
Accumulated depreciation		(292,762)		(299,006)
Tools, furniture and fixtures, net		25,598		25,233
Land	*1	9,447,123	*1	9,553,528
Leased assets		318,695		318,695
Accumulated depreciation		(97,612)		(122,644)
Leased assets, net		221,082		196,050
Total property, plant and equipment		16,478,149		16,270,492
Intangible assets				
Software		13,970		10,725
Other		2,164		1,869
Total intangible assets		16,134		12,594

(Thousands of yen)

		Prior fiscal year (As of March 31, 2015)		Current fiscal year (As of March 31, 2016)
Investments and other assets				
Investment securities	*1	290,297	*1	228,257
Shares of subsidiaries and associates		66,656		66,656
Investments in capital		178,383		160,545
Investments in capital of subsidiaries and associates		436,987		436,987
Long-term loans receivable from subsidiaries and associates		2,012,716		204,107
Long-term accounts receivable from subsidiaries and associates		591,603		—
Claims provable in bankruptcy, claims provable in rehabilitation and other		83,256		101,243
Long-term prepaid expenses		45,495		26,264
Other		81,159		37,054
Allowance for doubtful accounts		(2,652,602)		(286,083)
Total investments and other assets		1,133,954		975,034
Total non-current assets		17,628,238		17,258,121
Total assets		19,139,378		18,524,091
Liabilities				
Current liabilities				
Notes payable-trade		334,952		152,917
Accounts payable-trade		477,385		253,152
Short-term loans payable	*1	540,000	*1	540,000
Current portion of bonds	*1	100,000	*1	169,000
Current portion of long-term loans payable	*1	2,531,640	*1	2,628,584
Lease obligations		26,359		26,359
Accounts payable-other		64,653		17,622
Accrued expenses		43,611		37,631
Income taxes payable		13,134		3,379
Advances received		27,915		25,901
Deposits received	*1	246,578	*1	242,909
Provision for bonuses		24,790		23,490
Other		13,650		20,168
Total current liabilities		4,444,670		4,141,116
Non-current liabilities				
Bonds payable	*1	300,000	*1	696,500
Long-term loans payable	*1	5,083,856	*1	4,495,106
Lease obligations		204,901		178,542
Long-term guarantee deposited	*1, *3	2,529,008	*1, *3	2,247,503
Deferred tax liabilities		16,247		3,194
Deferred tax liabilities for land revaluation		2,334,259		2,212,849
Provision for retirement benefits		243,969		231,837
Asset retirement obligations		42,024		36,870
Other		—		29,681
Total non-current liabilities		10,754,268		10,132,085
Total liabilities		15,198,939		14,273,201

(Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Net assets		
Shareholders’ equity		
Capital stock	1,500,000	1,500,000
Capital surplus		
Legal capital surplus	503,270	503,270
Other capital surplus	104	104
Total capital surplus	503,375	503,375
Retained earnings		
Legal retained earnings	375,000	375,000
Other retained earnings		
Retained earnings brought forward	(3,325,900)	(3,087,462)
Total retained earnings	(2,950,900)	(2,712,462)
Treasury shares	(7,012)	(7,033)
Total shareholders’ equity	(954,537)	(716,119)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	26,078	(23,462)
Deferred gains or losses on hedges	(648)	(484)
Revaluation reserve for land	4,869,546	4,990,956
Total valuation and translation adjustments	4,894,976	4,967,009
Total net assets	3,940,439	4,250,889
Total liabilities and net assets	19,139,378	18,524,091

2) Non-consolidated statement of income

(Thousands of yen)

		Prior fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)
Net sales				
Net sales of goods		3,548,582		2,748,543
Rent income and service revenue		1,526,553		1,516,914
Total net sales	*1	5,075,136	*1	4,265,457
Cost of sales				
Cost of goods sold				
Beginning goods		401,585		467,401
Cost of purchased goods		3,340,967		2,434,410
Total		3,742,552		2,901,811
Transfer to other account	*2	3,392	*2	3,594
Ending goods		467,401		413,515
Cost of goods sold		3,271,759		2,484,702
Rent cost and service cost		619,039		597,179
Total cost of sales		3,890,799		3,081,881
Gross profit		1,184,336		1,183,575
Selling, general and administrative expenses	*3	846,350	*3	806,493
Operating income		337,985		377,082
Non-operating income				
Interest income	*1	10,036	*1	5,903
Dividends income		4,947		7,737
Gain on sales of investments in capital		—		11,539
Other		2,742		6,581
Total non-operating income		17,726		31,761
Non-operating expenses				
Interest expenses		262,400		248,849
Provision of allowance for doubtful accounts		805,140		—
Amortization of net retirement benefit obligation at transition		24,594		—
Commission for syndicate loan		—		64,500
Other		18,909		56,962
Total non-operating expenses		1,111,044		370,311
Ordinary income (loss)		(755,331)		38,532
Extraordinary income				
Reversal of allowance for doubtful accounts		—		204,067
Total extraordinary income		—		204,067
Profit (loss) before income taxes		(755,331)		242,600
Income taxes-current		15,486		4,772
Income taxes-deferred		(877)		(610)
Total income taxes		14,608		4,161
Profit (loss) attributable to owners of parent		(769,940)		238,438

Schedule of rent cost and service cost

		Prior fiscal year (From April 1, 2014 to March 31, 2015)		Current fiscal year (From April 1, 2015 to March 31, 2016)	
Category	No. in Notes	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
1. Taxes and dues		153,363	24.8	153,135	25.6
2. Depreciation		432,473	69.8	405,987	68.0
3. Other cost		33,202	5.4	38,055	6.4
Rent cost and service cost		619,039	100.0	597,179	100.0

(Note) Taxes and dues are mainly comprised of fixed asset tax.

3) Non-consolidated statement of changes in equity

Prior fiscal year (From April 1, 2014 to March 31, 2015)

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	1,500,000	503,270	104	503,375	375,000	(2,555,960)	(2,180,960)	(6,989)	(184,574)
Changes of items during period									
Profit (loss)						(769,940)	(769,940)		(769,940)
Purchase of treasury shares								(22)	(22)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	(769,940)	(769,940)	(22)	(769,962)
Balance at end of current period	1,500,000	503,270	104	503,375	375,000	(3,325,900)	(2,950,900)	(7,012)	(954,537)

	Valuation and translation adjustments				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	4,916	34	4,628,242	4,633,194	4,448,619
Changes of items during period					
Profit (loss)					(769,940)
Purchase of treasury shares					(22)
Net changes of items other than shareholders' equity	21,161	(682)	241,303	261,782	261,782
Total changes of items during period	21,161	(682)	241,303	261,782	(508,180)
Balance at end of current period	26,078	(648)	4,869,546	4,894,976	3,940,439

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

(Thousands of yen)

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

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

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

1. Valuation standards and methods for securities

(1) Held-to-maturity securities
Stated at amortized cost (straight-line method).

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

(3) 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: 6-47 years
Structures: 3-30 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.
(4) Long-term prepaid expenses
Long-term prepaid expenses are depreciated over the period during which the service is received.

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 is recorded as provision for bonuses.
(3) 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.
The benefit obligation is calculated using the simplified method.
Differences arising from changes in accounting standards are amortized evenly over 15 years.

7. Hedge accounting

(1) Hedge accounting

Deferred hedge accounting is applied for derivative instruments.

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

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

(2) Hedging instruments and hedged items

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

(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, assessment of hedge effectiveness is omitted for interest rate swaps that are qualified for special treatment.

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

(1) Accounting for retirement benefit

The accounting methods for unsettled amount of differences arising from changes in accounting standards are different from those of the consolidated financial statements.

(2) Accounting for the consumption taxes

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

(Changes in presentation)

(For consolidated statement of income)

“Purchase discounts,” which was included in “Non-operating income” in the prior fiscal year, has been included in “Other” from the current fiscal year because it decreased to less than 10/100 of the total Non-operating income. To reflect this change, the non-consolidated financial statements of the prior fiscal year have been reclassified.

As a result, ¥2,040 thousand of “Purchase discounts” included in “Non-operating income” and ¥701 thousand of “Other” have been reclassified into ¥2,742 thousand of “Other” in the non-consolidated statement of income for the prior fiscal year.

(For non-consolidated balance sheet)

*1 Assets pledged as collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Cash and deposits (deposits)	80,000	80,000
Buildings	6,555,118	6,301,469
Structures	165,728	136,197
Land	9,420,692	9,527,097
Investment securities	190,080	128,620
Total	16,411,619	16,173,385

Liabilities secured by the collateral (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Short-term loans payable	540,000	540,000
Current portion of bonds	100,000	169,000
Current portion of long-term loans payable	2,498,316	2,620,225
Deposits received (current portion of guarantee deposits received)	88,833	88,833
Bonds payable	300,000	696,500
Long-term loans payable	5,075,497	4,495,106
Long-term guarantee deposited	892,800	803,967
Total	9,495,446	9,413,631

*2 Breakdown of inventories (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Merchandise	467,401	413,515

*3 Assets and liabilities 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, 2015)	Current fiscal year (As of March 31, 2016)
Long-term guarantee deposited	1,583,551	1,394,224

4 Discounted notes receivables (Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
	54,350	44,878

(For non-consolidated statements of income)

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

	Prior fiscal year (From April 1, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Net sales	1,935,079	1,283,101
Interest income	10,014	5,881

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

*3 Ratio of expenses under selling expenses is 42% and 40% for the prior fiscal year and current fiscal year, respectively. Ratio of expenses under general and administrative expenses is 58% and 60% 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, 2014 to March 31, 2015)	Current fiscal year (From April 1, 2015 to March 31, 2016)
Salaries	294,409	274,341
Provision for bonuses	24,790	23,490
Retirement benefit expenses	18,511	27,205
Depreciation	6,277	7,112
Rent expenses	85,800	79,747
Provision of allowance for doubtful accounts	—	15,720

(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, 2015)	Current fiscal year (As of March 31, 2016)
Subsidiaries' shares	30,000	30,000
Affiliates' shares	36,656	36,656
Total	66,656	66,656

(For tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(1) Current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Deferred tax assets:		
Loss on valuation of inventories	14,354	25,103
Provision for bonuses	8,195	7,249
Other	4,375	3,715
Total gross deferred tax assets	26,925	36,068
Valuation allowance	(26,925)	(36,068)
Net deferred tax assets	—	—

(2) Non-current deferred tax assets and liabilities

(Thousands of yen)

	Prior fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Deferred tax assets:		
Loss on valuation of shares of subsidiaries and associates	3,230	3,061
Impairment loss	42,589	39,340
Allowance for doubtful accounts	874,948	87,598
Provision for retirement benefits	78,802	70,988
Net operating loss brought forward	324,861	944,421
Valuation difference on available-for-sale securities	—	7,184
Other	14,254	11,320
Total gross deferred tax assets	1,338,686	1,163,915
Valuation allowance	(1,338,686)	(1,163,915)
Net deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(12,442)	—
Property, plant and equipment (asset retirement expense)	(3,805)	(3,194)
Total gross deferred tax liabilities	(16,247)	(3,194)
Net deferred tax liabilities	(16,247)	(3,194)
Deferred tax liabilities for land revaluation		
Revaluation reserve for land	(2,334,259)	(2,212,849)

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, 2015)	Current fiscal year (As of March 31, 2016)
Statutory tax rate	35.6%	33.1%
(Reconciliation)		
Items such as entertainment expenses permanently not deductible	(2.2%)	4.1%
Inhabitant tax on per capita basis	(0.6%)	2.0%
Change in valuation allowance	(34.8%)	(37.5%)
Other	0.1%	0.0%
Effective tax rates after adoption of tax-effect accounting	(1.9%)	1.7%

3. Amendments to deferred tax liabilities due to a change in the rate of corporation tax

In accordance with the “Act for Partial Amendment of the Income Tax Act” and the “Act for Partial Amendment of the Local Tax Act” established in the parliament on March 29, 2016, the statutory tax rate used for calculating liabilities for the current fiscal year (limited to those to be eliminated on and after April 1, 2016) has been changed from 32.3% for the prior fiscal year to 30.9% for deferred tax liabilities that are expected to be collected or paid during the period from April 1, 2016 to March 31, 2018, or 30.6% for deferred tax liabilities that are expected to be collected or paid on or after April 1, 2018.

These tax rate changes resulted in a decrease of ¥164 thousand in deferred tax liabilities and a decrease of ¥121,410 thousand in deferred tax liabilities for land revaluation; an increase of ¥164 thousand in income taxes-deferred and an increase of ¥121,410 thousand in revaluation reserve for land in the current fiscal year.

(Significant subsequent events)

(Syndicated loan agreement)

The Company entered into syndicated loan contracts with Mizuho Bank, Ltd. acting as the arranger. The summary of the contracts is as follows:

1. With an execution date of April 28, 2016

(1) Contract amount

¥4,300,000 thousand (term loan)

(2) Execution date

April 28, 2016

(3) Borrowing period

From April 28, 2016 to March 31, 2021

(4) Participating financial institutions

Mizuho Bank, Ltd., THE SHIZUOKA BANK, LTD., and Sumitomo Mitsui Banking Corporation

(5) Intended use of the proceeds

Refinancing of the existing borrowings from Sumitomo Mitsui Trust Bank, Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., THE SHIMIZU BANK, LTD., ShinGinko Tokyo, Limited, and The Chiba Bank, Ltd. in the aggregated amount of ¥3,657,251 thousand, and other

(6) Assets pledged as collateral

Real estate of commercial facilities in Mishima area in Shizuoka Prefecture

(7) Financial restraint clause

1) 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.

2) 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 ending March 31, 2017 and for the immediately preceding fiscal year.

2. With an execution date of June 30, 2016

(1) Contract amount

¥5,100,000 thousand (term loan)

(2) Execution date

June 30, 2016

(3) Borrowing period

From June 30, 2016 to March 31, 2021

(4) Participating financial institutions

Mizuho Bank, Ltd., THE SHIZUOKA BANK, LTD., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and ShinGinko Tokyo, Limited

(5) Intended use of the proceeds

Refinancing of the existing borrowings from Mizuho Bank, Ltd., THE SHIZUOKA BANK, LTD., and Sumitomo Mitsui Banking Corporation, and other

(6) Assets pledged as collateral

Real estate of commercial facilities in Mishima area in Shizuoka Prefecture

(7) Financial restraint clause

1) 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.

2) 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 ending March 31, 2017 and for the immediately preceding fiscal year.

(Capital transfer agreement)

The Company entered into a contract to transfer the equity interest in Shanjing Business Administration (Ningbo) Co., Ltd. in which the Company holds interest, as of May 26, 2016. As a result of this transfer, approximately ¥100,000 thousand will be posted for the first quarter of the fiscal year ending March 31, 2017.

(Introduction of stock option scheme)

Based on the stipulations of Article 361 of the Companies Act, the remuneration, etc. of the stock acquisition rights in the form of stock options for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) of the Company was approved at the General Meeting of Shareholders held on June 24, 2016.

Details of the stock option scheme are stated in “4. Corporate Information 1. Information on the Company’s shares (9) Stock option plans.”

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	Balance at the end of the current fiscal year	Accumulated depreciation or amortization at the end of the current fiscal year	Depreciation or amortization for the current fiscal year	Balance at the end of the current fiscal year after depreciation and amortization
Property, plant and equipment							
Buildings	—	—	—	12,067,703	5,712,657	345,845	6,355,046
Structures	—	—	—	916,237	779,805	29,583	136,432
Machinery and equipment	—	—	—	84,044	79,842	—	4,202
Tools, furniture and fixtures	—	—	—	324,239	299,006	8,671	25,233
Land	—	—	—	9,553,528 (7,203,805)	—	—	9,553,528
Leased assets	—	—	—	318,695	122,644	25,032	196,050
Total property, plant and equipment	—	—	—	23,264,448 (7,203,805)	6,993,955	409,132	16,270,492
Intangible assets							
Software	—	—	—	21,332	10,607	3,245	10,725
Other	—	—	—	3,928	2,059	295	1,869
Total intangible assets	—	—	—	25,261	12,666	3,540	12,594
Long-term prepaid expenses	166,437	482	11,973	154,945	128,681	19,712	26,264

Notes: 1. The amounts in parentheses in the “Balance at the end of the current fiscal year” column are included in each balance amount, and represent the amounts of revaluated reserve for land for business use in accordance with “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998).

2. Figures of “Balance at the beginning of the current fiscal year,” “Increase in the current fiscal year” and “Decrease in the current fiscal year” are omitted as both increase and decrease of property, plant and equipment in the current fiscal year account for less than 5% of the total amount of property, plant and equipment at the end of the current fiscal year.

3. Figures of “Balance at the beginning of the current fiscal year,” “Increase in the current fiscal year” and “Decrease in the current fiscal year” are omitted as the amount of intangible assets accounts for less than 1% of the total assets.

Detailed schedule of allowances

(Thousands of yen)

Category	Balance at the beginning of the current fiscal year	Increase in the current fiscal year	Decrease in the current fiscal year (Amount used for each purpose)	Decrease in the current fiscal year (Other)	Balance at the end of the current fiscal year
Allowance for doubtful accounts	2,653,362	16,480	2,178,932	204,827	286,083
Provision for bonuses	24,790	23,490	24,790	—	23,490

Note: The amount of Allowance for doubtful accounts in the “Decrease in the current fiscal year (Other)” column comprises reviewed amount based on the historical loss rate for general receivables of ¥760 thousand and reversal amount by collection of receivables of ¥204,067 thousand.

(2) Details of major assets and liabilities

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

(3) Other

Not applicable

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

Fiscal year	From April 1 to March 31
General Meeting of Shareholders	June
Record date for dividend	March 31
Record dates for dividend of surplus	September 30 and March 31
Number of shares per unit of the Company's stock	1,000 shares
Repurchase of stocks of less than a standard unit	
Address where repurchases are processed	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited.
Administrator of shareholders' register	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited.
Offices available for repurchase	—
Charges for repurchase	No charge
Method of public notice	Public notices by the Company shall be done by electronic means; however, in the event that accidents or other unavoidable reasons prevent public notice by electronic means, the notice will be posted in the *The Nikkei.* URL for public notice http://www.daitobo.co.jp/
Special benefits to shareholders	None

Note: According to the Company's Articles of Incorporation, shareholders who hold stocks 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 195th Fiscal Year (from April 1, 2014 to March 31, 2015)

Submitted to the Director of the Kanto Local Finance Bureau on June 25, 2015.

(2) Internal Control Report and Accompanying Documents

Submitted to the Director of the Kanto Local Finance Bureau on June 25, 2015.

(3) Quarterly Securities Reports and Confirmation Notes

The 1st Quarter of 196th Fiscal Year (from April 1, 2015 to June 30, 2015)

Submitted to the Director of the Kanto Local Finance Bureau on August 12, 2015.

The 2nd Quarter of 196th Fiscal Year (from July 1, 2015 to September 30, 2015)

Submitted to the Director of the Kanto Local Finance Bureau on November 12, 2015.

The 3rd Quarter of 196th Fiscal Year (from October 1, 2015 to December 31, 2015)

Submitted to the Director of the Kanto Local Finance Bureau on February 12, 2016.

(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 26, 2015.

The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 9-4 (Changes in Certified Public Accountants, etc.) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Submitted to the Director of the Kanto Local Finance Bureau on May 17, 2016.

Part II Information on Guarantors for the Company

Not applicable

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

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

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

June 24, 2016

To the Board of Directors of
Daito Woolen Spinning & Weaving Company, Limited

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masato Yoshimizu

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tatsuya Nakajima

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, 2016 of Daito Woolen Spinning & Weaving Company, Limited (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, 2015 to March 31, 2016, 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 Daito Woolen Spinning & Weaving Company, Limited and consolidated subsidiaries as of March 31, 2016, 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, 2016.

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, 2016 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 24, 2016

To the Board of Directors of
Daito Woolen Spinning & Weaving Company, Limited

Deloitte Touche Tohmatsu LLC

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masato Yoshimizu

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tatsuya Nakajima

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 Daito Woolen Spinning & Weaving Company, Limited (the "Company") for the 196th fiscal year from April 1, 2015 to March 31, 2016 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 Daito Woolen Spinning & Weaving Company, Limited as of March 31, 2016, 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.