

(English translation version)

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Notice of

“Actions Toward Achieving Management Conscious of Cost of Capital and Stock Prices.”

1. Recognition of Current Situation

We recognize the importance of management that is conscious of the cost of capital and return on capital in order to achieve sustainable growth and increase corporate value over the medium to long term. However, as shown in the table below, both ROE and PBR remain at low levels. The Company resumed dividend payments in the fiscal year ending March 31, 2023 and to increase dividends in the fiscal year ending March 31, 2024, taking into account that the Company has been profitable for nine (9) consecutive fiscal years.

(Table 1) Consolidated financial information for each fiscal year ended

(Millions of yen : round down after Millions)

	March31 2018	March31 2019	March31 2020	March31 2021	March31 2022	March31 2023	March31 2024
Net Sales	4,427	4,496	4,819	4,617	4,502	3,997	4,033
Operating profit	325	327	407	253	247	214	318
Profit attributable to owners of parent	103	294	75	97	42	69	153
R O E (%)	2.37	6.74	1.74	2.17	0.93	1.47	3.16
R O I C (%)	2.64	2.38	2.34	1.41	1.44	1.30	1.99
P B R	0.71	0.55	1.09	0.72	0.59	0.53	0.58
P E R	30.57	8.01	63.10	33.72	63.54	36.61	18.52

2. Analysis and Evaluation of Current Status

(1) Our cost of equity is generally assumed to be around 5% to 6%, and with the exception of the end of the fiscal year ending March 31, 2019, ROE has been below the cost of equity. We believe that the relationship between ROIC and WACC is influenced by the high ratio of debt (mostly long-term fixed debt) in the Company's financing structure. We believe that improving the Company's return on capital is a particularly important issue for both of these indicators.

(2) Regarding the P/B ratio, a key management issue, the Company's P/B ratio has remained below 1x, except at the end of the fiscal year ending March 31, 2020, due to the low stock price level. In addition to the aforementioned issues, we believe that this indicates that the Company's growth potential is not highly evaluated, partly due to the fact that the Company has been in the red for a long time and has not paid dividends for a long time. Therefore, we believe it is important to further improve and build on our track record and carefully demonstrate our growth potential through the medium-term management plan and other measures.

3. Policies and Specific Efforts for Improvement

(1) Basic Policy

We will make every effort to enhance the Company's profitability and demonstrate our growth potential by completing our medium-term management plan "Jumping over the 130th - Toward a Future of Growth," which started in April 2024.

We intend to maintain and improve our business performance by focusing on our domestic business, which is our mainstay commercial facilities business, and by developing our healthcare business to make it a pillar of our earnings. The Company intends to maintain and improve its business performance by concentrating on our domestic business in each of these areas. Through the implementation of these measures, we will improve the Company's return on capital and demonstrate our growth potential.

(2) Specific Initiatives

A. Commercial Facilities Business

① Increase customer and tenant satisfaction with "SUN TO MOON Kakitagawa", our largest facility in Shizuoka Prefecture, and operate it in a more attractive manner.

② We will develop not only the commercial facility but also the surrounding area and make it a facility that truly contributes to the local community. To this end, we will partner with local governments and promote SDG's.

③ We will strengthen initiatives with our business partners and consider investment in new PM (property management) businesses and start-up companies, focusing on business

categories within the facility.

④ In accordance with the medium- to long-term capital investment plan, we will aggressively invest in the renewal of necessary facilities (total of about 2.5 billion yen over 10 years).

B. Healthcare Business

① Responding to the needs of a healthy and long-living society, we will further accelerate our shift to the healthcare field.

② Fully utilize domestic manufacturing bases to provide high-quality domestically produced products.

③ To strengthen sales through non-face-to-face channels, we will promote digital business by actively utilizing outside consultants and SNS.

④ Targeting small and medium-sized enterprises that lack successors, we will consider taking over the healthcare business and engaging in M&A.

C. Fibers and Textiles Business

① Although volume has declined due to the impact of the change in revenue recognition standards and our withdrawal from the China business (liquidation of our Chinese subsidiary), we will take the recovery in the domestic market and rising defense-related needs as an opportunity to expand our fibers business.

② We will focus on the uniform business for public and private sector demand where market conditions have recovered.

③ We will contribute to the creation of a sustainable society by developing and expanding sales of sustainable products.

④ In the apparel OEM business, we will enhance our manufacturing technology and reliability backed by our history, while expanding sales of domestically produced knitwear and made-to-order products.

D. Priority Measures for Business Management

① Promote basic sustainability policy

② Promote response to SDG's issues

③ Measures to realize management that is conscious of cost of capital and stock price

④ Promote human capital management

⑤ Strengthen financial management

E. Promotion of Proactive Dialogue with Investors

① In order to carefully demonstrate the Company's growth potential, we believe that active dialogue with investors is essential.

② While overseas investors account for approximately 30% of the Tokyo Stock Exchange's shareholdings by investment category, and overseas investors account for a high 70% (as of FY2023) of share trading by investment category, the shareholdings of overseas investors in the Company are 2.3% (as of March 31, 2024). Given this low level, we believe that dialogue with overseas investors will be a particularly important measure. For this reason, we intend to be more proactive than ever in disclosing information in English.

③ In addition, we will actively communicate information to individual investors, taking into consideration the importance of the fact that individual investors account for more than 77% (as of March 31, 2024) of the Company's shareholdings.

4. Numerical Targets, etc.

(1) Our ultimate target for ROE is 6% or more.

Based on the Company's cost of equity assumption of 5% to 6%, the Company will target ROE of 6% or more. At this time, based on the ROE formula, we do not intend to accumulate more retained earnings than necessary for the time being during the period of the medium-term management plan, as well as to achieve the profit plan in the medium-term management plan, because an increase in profit level and control of increase (or decrease) in net assets will lead to improvement in ROE.

(2) Regarding ROIC, we aim to achieve a level of 2% or more, which is a stable level above WACC.

Given that our WACC assumption is around 2%, we will target ROIC of 2% or more.

To this end, we will make particular efforts to improve the level of operating income.

(3) Measures for Shareholder Returns

During the period of the current medium-term management plan, we will work to achieve the following.

A. Dividend Payout Ratio

The Company considers the stable and appropriate return of profits to shareholders through maintaining and strengthening its competitiveness and increasing its corporate value to be one of its most important managements issues and makes it a basic policy to determine profit distribution by striving to improve business performance while also taking into consideration internal reserves. With regard to dividends during the period of this medium-term management plan, we aim to achieve a dividend payout ratio of approximately 50% to 80%, taking into consideration numerical targets and future business development.

B. Acquisition of Treasury Stock

The Company plans to conduct share repurchases on an irregular basis about once a year, aiming for a total return ratio of approximately 70% to 100%.

C. Expansion of Shareholder Benefit Program

Taking into consideration that the majority of shareholders are individual shareholders, the Company plans to expand the shareholder special benefit program (The company has already announced the expansion starting as of March 31, 2025.).

5. Continuous Updates

We will continue to actively disseminate information on this matter more than ever by updating it as appropriate (at least once a year).