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## NOTICE OF THE 199TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

**Date and Time:** Tuesday, June 25, 2019 at 10 a.m. Japan time

**Place:** Marunouchi Hall, seventh floor, Marunouchi Building, located at 2-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan  
Please note the venue for the meeting has changed this year.

**Proposals to be resolved:**

**Proposal:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

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**Daitobo Co., Ltd.**  
(Securities Code 3202)

Dear Shareholders,

We would like to give our utmost gratitude to our shareholders for their daily support.

We present this notice of convocation for our 199th Annual General Meeting of Shareholders for your perusal.

In the fiscal year under review, the Japanese economy continued to recover moderately as the employment and income environment improved together with ongoing accommodative monetary policy and the effects of various government policies, despite rising concern about trade friction worldwide.

Amid such conditions, the Company Group continued its efforts under the “Get Ahead of the Future mid-term management policy” launched in this fiscal year. Through our pillar strategy “investment for growth,” we will proceed with construction (Stage 4 Development) to expand and renew “SUN TO MOON Kakitagawa,” a leading commercial facility in Shizuoka Prefecture, and construction of a new wing is currently in progress as planned, following the opening of the annex last fall. Through our pillar strategy “expanding business scale,” we acquired the health care business from Osaka-based WATEX Co., Ltd. at the end of the fiscal year, and rolled out our new company structure. Finally, under our “financial strategy,” we completed a capital reduction in August, and partially fixed borrowing rates to prepare for increased borrowings for Stage 4 Development.

In this environment, although net sales was affected by the severity of the apparel market, performance in the fiscal year under review featured sales increasing for the first time in six years, with increased sales in the commercial facility business and the health care business. Furthermore, while there were one-time expenses related to Stage 4 Development, we recorded increased non-operating income and reduced tax expenses from the capital reduction, and profit attributable to owners of parent increased 184.1% year-on-year. As a result, in the fiscal year under review, the final fiscal year of the Heisei era, we were able to achieve the highest increase in sales and profits since the fiscal year ended March 31, 1989, the first year of the Heisei era.

We released the “Notice of Revision of the Mid-term Management Policy” in the expectation that the profit forecast in the mid-term management policy will improve in light of the effects of business acquisition and performance trends in the fiscal year under review.

We would like to express our most sincere gratitude to our shareholders once again since these results are entirely due to your daily understanding and support.

In the fiscal year ending March 31, 2020, we will respond flexibly to changes based on our management philosophy, “enterprising spirit,” with all officers and employees making efforts as one to undertake the “Get Ahead of the Future mid-term management policy” in the Company Group’s mission to achieve sustainable growth and enhance corporate value over the mid- to long-term. We appreciate our shareholders’ continued encouragement and support.

Kazuhiro Yamauchi  
President and Representative Director  
Daitobo Co., Ltd.

June 4, 2019

**To Shareholders with Voting Rights:**

Kazuhiro Yamauchi  
President and Representative Director  
Daitobo Co., Ltd.  
1-6-1 Nihonbashihon-cho, Chuo-ku,  
Tokyo, Japan

**NOTICE OF  
THE 199TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 199th Annual General Meeting of Shareholders of Daitobo Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”). The meeting will be held for the purposes as described below.

**If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form, and return it so that it is received by 5 p.m. on Monday, June 24, 2019 Japan time, or, please review the “Instructions for Exercising Voting Rights via the Internet” (on pages 3 to 4, in Japanese only) and vote via the Internet.**

- 1. Date and Time:** Tuesday, June 25, 2019 at 10 a.m. Japan time
- 2. Place:** Marunouchi Hall, seventh floor, Marunouchi Building, located at 2-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan  
Please note the venue for the meeting has changed this year.  
(Please see the map to the meeting at the hall at the end of this document for directions.)
- 3. Meeting Agenda:**  
**Matters to be reported:** The Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements for the Company’s 199th Fiscal Year (April 1, 2018 - March 31, 2019) and results of audits by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements  
  
**Proposals to be resolved:**  
**Proposal:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- Of the documents to be provided with this Convocation Notice, Systems to Ensure the Appropriateness of Corporate Business Operations and the Status of Operation Thereof, Basic Policy Regarding Control of the Company, Consolidated Statement of Changes in Equity, Non-Consolidated Statement of Changes in Equity, Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements are posted on the Company’s website on the Internet (<http://www.daitobo.co.jp/>) pursuant to provisions of laws and regulations as well as Article 16 of the Articles of Incorporation of the Company.
- Any updates to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements will be posted on the Company’s website on the Internet (<http://www.daitobo.co.jp/>).

## Reference Documents for the General Meeting of Shareholders

**Proposal: Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)**

The terms of office of all four (4) incumbent Directors (excluding Directors serving as Audit and Supervisory Committee Members) will expire at the conclusion of this year's General Meeting of Shareholders. Accordingly, the election of four (4) Directors (excluding Directors serving as Audit and Supervisory Committee Members) is proposed.

The candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are as follows.

Additionally, the nomination of candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members), is made via resolution of the Board of Directors with reference to the opinions on the selection of candidates contained in reports from the Advisory Committee, composed primarily of Independent Outside Directors and the President and Vice President, which comprehensively consider factors such as experience, insight, and abilities as managers.

Furthermore, the Audit and Supervisory Committee has judged that the election of each candidate for Director is appropriate as they can be expected to contribute to improving corporate value when taking into account each candidate's possession of deep specialized knowledge, wealth of experience, and suitability as Director, in addition to other factors such as the state of business execution and business results for the fiscal year under review.

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
1	<p>Kazuhiro Yamauchi (January 5, 1957)</p> <p>Reappointment</p> <p>Attendance at meetings of the Board of Directors 18 / 18</p>	<p>April 1979      Joined Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)</p> <p>February 2002    General Manager, Personnel Planning Dept. of Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)</p> <p>January 2004      General Manager, Osaka Branch Business Dept. II</p> <p>January 2007      General Manager, Shinjuku Nishiguchi Branch</p> <p>June 2009          Director and General Manager, Corporate Planning Division of the Company</p> <p>August 2010       Managing Director and General Manager, Business Management Headquarters, General Manager, Corporate Planning Division</p> <p>June 2012          Senior Managing Director and General Manager, Business Management Headquarters, Deputy General Manager, Real Estate Headquarters, in charge of internal control</p> <p>July 2013           Director and Senior Managing Executive Officer, General Manager, Business Management Headquarters, General Manager, Personnel Division, in charge of business strategy and internal control</p> <p>June 2015          President and Representative Director (current post) Chairman of DAITOBOSHOKU (SHANGHAI) CORPORATION (current post) (to the present)</p> <p>Significant concurrent positions Chairman of DAITOBOSHOKU (SHANGHAI) CORPORATION * DAITOBOSHOKU (SHANGHAI) CORPORATION is a wholly owned subsidiary of the Company.</p>	65,600 shares
<p>Reasons for selecting the candidate for Director</p> <p>As President and Representative Director of the Company, Mr. Kazuhiro Yamauchi has achievements in leading the overall group with strong leadership and action, and possesses advanced insights and knowledge regarding overall management based on many years of experience at a financial institution and abundant management experience at the Company. The Company has determined that he will continue to be essential for the management of the Company to achieve sustainable growth of the Company and improvement in mid- to long-term corporate value, and thus proposes his continued appointment as Director of the Company.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
2	Toshiyasu Nomura (February 27, 1952)  Reappointment  Attendance at meetings of the Board of Directors 18 / 18	<p>March 1974    Joined the Company</p> <p>April 2002    General Manager, Functional Textile Business Division</p> <p>April 2004    Deputy General Manager, Textile Business Headquarters</p> <p>May 2005    President and Director of Niigata Daitobo Co., Ltd.</p> <p>May 2007    President and Director of Daitobo Shinso Co., Ltd.</p> <p>October 2011    General Manager, Functional Textile Sales Division, Sales Headquarters</p> <p>June 2012    Director and General Manager, Functional Textile Sales Division, Sales Headquarters</p> <p>June 2013    Vice President and Director</p> <p>February 2014    Vice President and Director General Manager, Health Care Business Headquarters</p> <p>June 2014    Vice President and Representative Director General Manager, Health Care Business Headquarters</p> <p>April 2015    Vice President and Representative Director Supervising health care business, textile and apparel business</p> <p>November 2017    Vice President and Representative Director General Manager, Health Care Business Headquarters Supervising textile and apparel business (current post) (to the present)</p> <p>Significant concurrent positions None</p>	53,700 shares
<p>Reasons for selecting the candidate for Director</p> <p>As Vice President and Representative Director of the Company, Mr. Toshiyasu Nomura has achievements in supervising overall sales and manufacturing divisions, in addition to a wide network of contacts both inside and outside of the Company gained through a long career at the Company. The Company has determined that he is essential to realize future business expansion that may lead to the sustainable growth of the Company, and improvement in mid- to long-term corporate value, and thus proposes his continued appointment as Director of the Company.</p>			
3	Shogo Mieda (February 12, 1969)  Reappointment  Attendance at meetings of the Board of Directors 18 / 18	<p>April 1990    Joined the Company</p> <p>September 2010    Accounting Group Leader, Administration Division</p> <p>June 2012    General Manager, Corporate Planning Division, Business Management Headquarters</p> <p>June 2015    Director and Executive Officer, General Manager, Business Management Headquarters, in charge of internal control (current post) (to the present)</p> <p>Significant concurrent positions None</p>	16,800 shares
<p>Reasons for selecting the candidate for Director</p> <p>As Director of the Company, Mr. Shogo Mieda has achievements in supervising overall administration divisions such as business management and internal control, and has years of experience and deep knowledge regarding accounting and corporate planning at the Company. The Company has determined that he is essential to achieve sustainable growth of the Company and improvement in mid- to long-term corporate value, and thus proposes his continued appointment as Director of the Company.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
4	Yasunobu Sawada (January 9, 1953)  Reappointment Outside Independent Officer  Attendance at meetings of the Board of Directors 18 / 18	<p>April 1976      Joined the Ministry of Labour (currently Ministry of Health, Labour and Welfare)</p> <p>January 1989    Joined A.T. Kearney, Inc. (currently A.T. Kearney K.K.), assigned to Tokyo Office</p> <p>October 1997    Director of Practice Management</p> <p>April 2002      Executive Director of Enterprise IG Japan K.K. (currently Brand Union/WPP Group)</p> <p>July 2003       Representative Director of VieBrand Consulting Inc. (current post)</p> <p>June 2015      Outside Director of the Company (current post) (to the present)</p> <p>Significant concurrent positions Representative Director of VieBrand Consulting Inc. * No special interest exists between VieBrand Consulting Inc. and the Company.</p>	0 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Yasunobu Sawada has been providing guidance to the management of the Company with on a wide range of topics based on his deep knowledge and sophisticated insight developed through years of experience in public administration and management consulting. In addition, he has played a central role in strengthening the supervisory functions over the Company's management execution, including serving as the chairperson of the Outside Executive Committee as the Company's lead Outside Director. The Company has determined that he will continue to be essential to provide advice regarding the overall business activities and appropriately supervise the business execution of the Company from a broad and advanced perspective, and thus proposes his continued appointment as Outside Director. He will have served as an Outside Director for four (4) years at the conclusion of this General Meeting of Shareholders.</p>			

- (Notes)
1. No special interest exists between the Company and any of the candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members).
  2. Furthermore, other matters related to the candidate for Outside Director are as follows:
    - 1) Mr. Yasunobu Sawada is a candidate for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
    - 2) Mr. Yasunobu Sawada satisfies the Criteria for Independence of Outside Officers set forth by the Company. The Company has designated him as an independent officer stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered him with the Exchanges. In the event he is elected and appointed as Director, the Company intends to continue to register him as an Independent officer.
    - 3) The Company has entered into an agreement with Mr. Yasunobu Sawada to limit his liability for damages, as stipulated in Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount set forth in Article 425, Paragraph 1 of the same. In the event he is elected and appointed as Director, the Company plans to continue a liability limitation agreement with the same content with him.

## (Reference)

### [Policy on the Election of Directors of the Company]

The Company selects candidates with the prerequisite that they possess a high level of expertise, and qualities and insight as a manager, taking into account business scale, business scope, and other factors, with the requirement that the number of candidates is within the limits of the number of Directors stipulated in the Articles of Incorporation. In addition, the Company elects candidates for Independent Outside Director who possess a high level of insight and will supervise management, etc. from an objective standpoint and provide views and advice that will contribute to enhancing corporate value. On the other hand, the Company has introduced an Executive Officer System, thereby clarifying the responsibility of supervising management and the responsibility of business execution. In addition, in June 2016, the Company transitioned to a company with an Audit and Supervisory Committee. Through above initiatives, the basic approach of the Board of Directors is to create a system that is capable of supervising management efficiently and effectively. Furthermore, the Company shall elect at least one (1) Director Serving as Audit and Supervisory Committee Member with a sufficient knowledge of finance and accounting.

### [Procedures for the Election of Directors of the Company]

The nomination of candidates for Director (excluding Directors serving as Audit and Supervisory Committee Members) and Directors serving as Audit and Supervisory Committee Members shall be determined by resolution of the Board of Directors, with reference to views regarding the candidates reported by the Advisory Committee, which mainly comprises Independent Outside Directors and includes the President and Vice President, comprehensively considering candidates' experience, insight, ability, etc. as a manager.

### [Criteria for Independence of Outside Directors of the Company]

If the Board of Directors of the Company judges that an Outside Director does not fall under any of the following items, he or she shall be considered independent.

- 1) An executing person of the Company or its subsidiaries, either currently or in the past
- 2) A major shareholder of the Company (refers to a shareholder with a voting rights ownership ratio of 10% or more) or an executing person thereof, either currently or in the past five (5) years
- 3) A party whose major business partner is/was the Company (refers to a party for whom sales to the Group account for 2% or more of the consolidated net sales of the business partner in any of the past three (3) fiscal years) or an executing person thereof, either currently or in the past five (5) years
- 4) A party who is/was a major business partner of the Company (refers to a party who accounts for 2% or more of the Group's consolidated net sales in any of the past three (3) fiscal years) or an executing person thereof, either currently or in the past five (5) years
- 5) An executing person of a major lender to the Company (refers to a financial institution that the Group borrows from, and whose total outstanding lending to the Group exceeds 10% of the Group's total outstanding borrowing at the end of the most recent fiscal year), either currently or in the past five (5) years
- 6) A consultant, an accounting professional, or a legal professional receiving a significant amount (refers to an amount exceeding 10 million yen in any of the past three (3) fiscal years) of money or other assets from the Company other than executive remuneration
- 7) An executing person of a body receiving (or making) a donation or aid of a significant amount (refers to an amount exceeding 10 million yen in any of the past three (3) fiscal years) from (to) the Company
- 8) An executing person of a party which has a mutual relationship with the Company through outside officers
- 9) A spouse, a relative within two degrees of kinship, or a cohabiting relative of an individual who has fallen under any of criteria 1 through 8
- 10) A person whose total term of office as Outside Director exceeds eight (8) years.



## Consolidated Balance Sheet

(As of March 31, 2019)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>3,053,350</b>	<b>Current liabilities</b>	<b>3,750,950</b>
Cash and deposits	1,735,466	Notes and accounts payable-trade	577,915
Notes and accounts receivable-trade	652,248	Short-term loans payable	2,374,400
Inventories	610,845	Income taxes payable	2,716
Other	56,460	Provision for bonuses	34,308
Allowance for doubtful accounts	(1,670)	Provision for shareholder benefit program	28,000
<b>Non-current assets</b>	<b>17,799,711</b>	Other	733,610
<b>Property, plant and equipment</b>	<b>17,067,530</b>	<b>Non-current liabilities</b>	<b>12,793,693</b>
Buildings and structures	5,882,421	Long-term loans payable	8,311,000
Land	9,268,089	Lease obligations	104,361
Leased assets	121,661	Guarantee deposits received	1,567,132
Construction in progress	1,762,651	Deferred tax liabilities for land revaluation	2,476,495
Other	32,707	Net defined benefit liability	280,991
<b>Intangible assets</b>	<b>204,276</b>	Asset retirement obligations	53,712
Goodwill	200,114	<b>Total liabilities</b>	<b>16,544,644</b>
Other	4,162	<b>(Net assets)</b>	
<b>Investments and other assets</b>	<b>527,904</b>	<b>Shareholders' equity</b>	<b>(180,029)</b>
Investment securities	330,635	Capital stock	100,000
Claims provable in bankruptcy, claims provable in rehabilitation and other	87,808	Retained earnings	(270,247)
Deferred tax assets	126,768	Treasury shares	(9,781)
Other	67,135	<b>Accumulated other comprehensive income</b>	<b>4,477,563</b>
Allowance for doubtful accounts	(84,442)	Valuation difference on available-for-sale securities	(18,461)
		Deferred gains or losses on hedges	(172,806)
		Revaluation reserve for land	4,664,864
		Foreign currency translation adjustment	3,967
		<b>Subscription rights to shares</b>	<b>10,884</b>
		<b>Total net assets</b>	<b>4,308,418</b>
<b>Total assets</b>	<b>20,853,062</b>	<b>Total liabilities and net assets</b>	<b>20,853,062</b>

## Consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>4,496,789</b>
<b>Cost of sales</b>		<b>3,313,581</b>
<b>Gross profit</b>		<b>1,183,208</b>
<b>Selling, general and administrative expenses</b>		<b>855,729</b>
<b>Operating income</b>		<b>327,478</b>
<b>Non-operating income</b>		
Interest income	31	
Dividend income	5,960	
Share of profit of entities accounted for using equity method	3,968	
Other	52,683	62,644
<b>Non-operating expenses</b>		
Interest expenses	120,241	
Other	33,177	153,419
<b>Ordinary income</b>		<b>236,704</b>
<b>Profit before income taxes</b>		<b>236,704</b>
Income taxes-current	8,032	
Income taxes-deferred	(66,201)	(58,168)
<b>Profit</b>		<b>294,872</b>
<b>Profit attributable to owners of parent</b>		<b>294,872</b>

## Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>2,336,623</b>	<b>Current liabilities</b>	<b>3,313,115</b>
Cash and deposits	1,206,184	Notes payable-trade	278,190
Notes receivable-trade	156,582	Accounts payable-trade	225,204
Accounts receivable-trade	375,570	Short-term loans payable	2,374,400
Inventories	569,898	Income taxes payable	293
Other	30,058	Provision for bonuses	25,770
Allowance for doubtful accounts	(1,670)	Provision for shareholder benefit program	28,000
<b>Non-current assets</b>	<b>18,011,261</b>	Other	381,256
<b>Property, plant and equipment</b>	<b>17,265,414</b>	<b>Non-current liabilities</b>	<b>12,779,433</b>
Buildings and structures	5,881,824	Long-term loans payable	8,311,000
Land	9,470,591	Lease obligations	104,361
Leased assets	121,661	Guarantee deposits received	1,578,689
Construction in progress	1,762,651	Deferred tax liabilities for land revaluation	2,476,495
Other	28,685	Provision for retirement benefits	262,382
<b>Intangible assets</b>	<b>204,161</b>	Asset retirement obligations	46,503
Goodwill	200,114	<b>Total liabilities</b>	<b>16,092,548</b>
Other	4,046	<b>(Net assets)</b>	
<b>Investments and other assets</b>	<b>541,685</b>	<b>Shareholders' equity</b>	<b>(229,143)</b>
Investment securities	247,217	<b>Capital stock</b>	<b>100,000</b>
Shares and investments in capital of subsidiaries and associates	104,629	<b>Retained earnings</b>	<b>(321,923)</b>
Long-term loans receivable	182,000	Other retained earnings	(321,923)
Claims provable in bankruptcy, claims provable in rehabilitation and other	87,808	Retained earnings brought forward	(321,923)
Deferred tax assets	123,373	<b>Treasury shares</b>	<b>(7,219)</b>
Other	63,100	<b>Valuation and translation adjustments</b>	<b>4,473,595</b>
Allowance for doubtful accounts	(266,442)	<b>Valuation difference on available-for-sale securities</b>	<b>(18,461)</b>
		<b>Deferred gains or losses on hedges</b>	<b>(172,806)</b>
		<b>Revaluation reserve for land</b>	<b>4,664,864</b>
		<b>Subscription rights to shares</b>	<b>10,884</b>
		<b>Total net assets</b>	<b>4,255,336</b>
<b>Total assets</b>	<b>20,347,885</b>	<b>Total liabilities and net assets</b>	<b>20,347,885</b>

## Non-Consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>3,445,065</b>
<b>Cost of sales</b>		<b>2,326,489</b>
<b>Gross profit</b>		<b>1,118,576</b>
<b>Selling, general and administrative expenses</b>		<b>812,646</b>
<b>Operating income</b>		<b>305,929</b>
<b>Non-operating income</b>		
Interest income	989	
Dividend income	5,960	
Reversal of allowance for doubtful accounts	2,200	
Other	42,565	51,715
<b>Non-operating expenses</b>		
Interest expenses	120,241	
Other	32,960	153,201
<b>Ordinary income</b>		<b>204,443</b>
<b>Profit before income taxes</b>		<b>204,443</b>
Income taxes-current	371	
Income taxes-deferred	(66,157)	(65,785)
<b>Profit</b>		<b>270,229</b>