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## NOTICE OF THE 200TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

**Date and Time:** Wednesday, June 24, 2020 at 10 a.m. Japan time (Reception begins at 9:30 a.m.)

**Place:** Marunouchi Hall, seventh floor, Marunouchi Building, located at 2-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan  
Please note that no souvenirs or coffee will be provided at this general meeting.

**Proposals to be resolved:**

**Proposal No. 1:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

**Proposal No. 2:** Election of Four (4) 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 200th Annual General Meeting of Shareholders for your perusal.

In the fiscal year under review, in the first half, the Japanese economy continued to recover moderately as the employment and income environment improved, and there were positive effects from various government policies. However, the consumption tax hike in October 2019 had negative effects, and the COVID-19 outbreak in the fourth quarter caused the business environment to deteriorate rapidly, resulting in a harsh environment. The world economy was also heavily hit by the outbreak.

Amid such conditions, the Company Group steadily made progress in its efforts under the “Get Ahead of the Future mid-term management policy” launched in the previous fiscal year.

In the commercial facility business, we completed the construction (Stage 4 Development) to expand and renew “SUN TO MOON Kakitagawa,” a leading commercial facility in Shizuoka Prefecture, and opened “SUN TO MOON Oasis,” a new mall with 33 shop tenants on March 10, 2020. The mall’s opening was accompanied by bustling activity as there were more visitors than we had expected, and the Company Group operated the mall with a strong sense of mission, to protect the lifeline of the region amid the COVID-19 crisis. In the health care business, we focused on creating a greater synergistic effect through the health care business we acquired at the end of the previous fiscal year from WATEX Co., Ltd. Furthermore, at the end of the fiscal year, we strove to secure commercial opportunities through items used to prevent COVID-19 infections, including antibacterial materials and masks. In the textile and apparel business, although we struggled due to the consumption tax hike and effects of the COVID-19 outbreak, we continued to work on profitability improvement activities.

As a result, we achieved a feat: for the first time in 13 fiscal years, segment sales were in the black for all the business segments.

Regarding the consolidated financial results forecast for the next fiscal year, upon careful consideration of the current circumstances with the COVID-19 outbreak, we have deemed that it is difficult to make any reasonable calculations at present. Going forward, when it is possible to make reasonable calculations, we shall disclose the forecast promptly, and we appreciate your understanding on this matter.

While the Company Group will strive to discover new business opportunities in a world of the “new normal” after the COVID-19 outbreak ends, to achieve sustainable growth and enhance corporate value over the mid- to long-term, the Company Group will also continue to formulate an optimal plan and implement it. We sincerely appreciate our shareholders’ continued support and understanding, and humbly request for your encouragement in our future endeavors.

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

**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 200TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

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

The 200th Annual General Meeting of Shareholders of Daitobo Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) will be held for the purposes as described below.

**Under normal circumstances, we would invite all shareholders to attend the meeting and provide a report directly in person. However, this year, from the perspective of COVID-19 prevention, we strongly suggest that you refrain from attending the meeting, and instead, exercise your voting rights in writing or via the Internet. Please take our suggestion into consideration, and we appreciate your understanding on this matter.**

When exercising 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, or review the “Instructions for Exercising Voting Rights via the Internet” (on pages 3 to 4, in Japanese only) and vote via the Internet. In either of the above cases, please note that for your vote to be valid, it has to be received by 5:25 p.m. on Tuesday, June 23, 2020 Japan time.

- 1. Date and Time:** Wednesday, June 24, 2020 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 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 200th Fiscal Year (April 1, 2019 - March 31, 2020) and results of audits by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements
  - Proposals to be resolved:**
    - Proposal No. 1:** Election of Four (4) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
    - Proposal No. 2:** Election of Four (4) Directors Serving as Audit and Supervisory Committee Members

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- 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 No. 1: 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 16 / 16</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>	79,100 shares
<p>Reasons for selecting the candidate for Director 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	<p>Shogo Mieda (February 12, 1969)</p> <p>Reappointment</p> <p>Attendance at meetings of the Board of Directors 16 / 16</p>	<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</p> <p>June 2019      Director and Senior Executive Officer, General Manager, Business Management Headquarters, in charge of internal control (to the present)</p> <p>Significant concurrent positions None</p>	23,600 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
3	<p>Hiroshige Aoki (January 6, 1965)</p> <p>New appointment</p> <p>Attendance at meetings of the Board of Directors</p> <p>—</p>	<p>April 1989    Joined the Company</p> <p>April 2015    General Manager, Production Planning and Sales Division, Apparel, Fashion &amp; Uniforms Business Headquarters</p> <p>June 2015    Director and Executive Officer, Acting General Manager, Apparel, Fashion &amp; Uniforms Business Headquarters</p> <p>March 2016    Director and Executive Officer, General Manager, Apparel, Fashion &amp; Uniforms Business Headquarters</p> <p>June 2016    Executive Officer, General Manager, Apparel, Fashion &amp; Uniforms Business Headquarters</p> <p>October 2019    Executive Officer, Deputy Chief of Sales, General Manager, Textile and Apparel Business Headquarters</p> <p>February 2020    Executive Officer, Chief of Sales, General Manager, Health Care Business Headquarters (current post) (to the present)</p> <p>Significant concurrent positions None</p>	8,300 shares
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Hiroshige Aoki has many years of experience and achievements in the textile and apparel divisions at the Company. As Director and Executive Officer for a year from 2015 to 2016, and as Executive Officer since 2016, he has been leading the sales and production divisions in many different aspects as an operating officer. The Company has determined that he is essential to realize future expansion of the Company's textile and apparel business and health care business that may lead to the sustainable growth of the Company and improvement in mid- to long-term corporate value, and thus proposes his new 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 16 / 16	<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 five (5) 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.

**Proposal No. 2: Election of Four (4) Directors Serving as Audit and Supervisory Committee Members**

The terms of office of all four (4) incumbent 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 serving as Audit and Supervisory Committee Members is proposed.

This Proposal has been consented by the Audit and Supervisory Committee.

The candidates for Directors serving as Audit and Supervisory Committee Members are as follows:

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
1	<p>Yuji Kakuma (July 8, 1948)</p> <p>Reappointment</p> <p>Attendance at meetings of the Board of Directors 16 / 16</p> <p>Attendance at meetings of the Audit and Supervisory Committee 13 / 13</p>	<p>April 1967    Joined the Company</p> <p>July 2006    General Manager, Accounting Division</p> <p>June 2007    Director and General Manager, Accounting Division</p> <p>June 2008    Director and General Manager, Administration Division</p> <p>August 2010    Director and General Manager, Administration Division, Business Management Headquarters</p> <p>June 2012    Full-time Corporate Auditor</p> <p>June 2016    Director serving as full-time Audit and Supervisory Committee Member (current post) (to the present)</p> <p>Significant concurrent positions None</p>	<p>81,000 shares</p>
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Yuji Kakuma has long presided over the Company’s Accounting Division and has sufficient specialized knowledge, in addition to possessing a wealth of experience and advanced insight from many years of service as a Director, Corporate Auditor and Audit and Supervisory Committee Member of the Company. He also fulfilled his responsibilities as Selected Audit and Supervisory Committee Member of the Audit and Supervisory Committee at an outstanding level. His term of office as a Director serving as Audit and Supervisory Committee Member will be four (4) years at the conclusion of this General Meeting of Shareholders.</p> <p>In order to continue utilizing his many years of experience in the Company’s overall operations, and continue receiving his advice regarding management as a whole by allowing him to fulfill his role in the Audit and Supervisory Committee at a high level, the Company proposes his continued appointment as Director serving as Audit and Supervisory Committee Member.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company	Number of shares of the Company held
2	<p>Haruki Iinuma (April 19, 1948)</p> <p>Reappointment Outside Independent Officer</p> <p>Attendance at meetings of the Board of Directors 16 / 16</p> <p>Attendance at meetings of the Audit and Supervisory Committee 13 / 13</p>	<p>April 1976 Registered as an attorney</p> <p>April 1978 Established IINUMA LAW OFFICE (current position)</p> <p>June 2011 Outside Corporate Auditor of the Company</p> <p>June 2016 Director serving as Audit and Supervisory Committee Member (current post) (to the present)</p> <p>Significant concurrent positions Director of IINUMA LAW OFFICE</p> <p>* No special interest exists between IINUMA LAW OFFICE and the Company.</p>	0 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Haruki Iinuma is well versed in corporate legal affairs from his many years of experience as an attorney, and utilizes his specialized knowledge and advanced insight concerning management to provide appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director serving as Audit and Supervisory Committee Member will be four (4) years at the conclusion of this General Meeting of Shareholders.</p> <p>In order to continue receiving his advice regarding the business activities of the Company as a whole, including the legal aspect, from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director serving as Audit and Supervisory Committee Member.</p>			
3	<p>Takashi Kagami (December 19, 1976)</p> <p>Reappointment Outside Independent Officer</p> <p>Attendance at meetings of the Board of Directors 16 / 16</p> <p>Attendance at meetings of the Audit and Supervisory Committee 13 / 13</p>	<p>September 2001 Joined Shin Nihon &amp; Co. (currently Ernst &amp; Young ShinNihon LLC)</p> <p>July 2005 Registered as a certified public accountant</p> <p>August 2006 Joined Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm and Takano Sogo Consulting Co. (concurrent)</p> <p>November 2013 Registered as a licensed tax accountant Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm (current post)</p> <p>June 2016 Director serving as Audit and Supervisory Committee Member of the Company (current post)</p> <p>December 2017 Representative Director of Takano Sogo Consulting Co. (current post) (to the present)</p> <p>Significant concurrent positions Partner of Certified Public Tax Accountants' Co. Takano Sogo Accounting Firm Representative Director of Takano Sogo Consulting Co.</p> <p>* No special interest exists between the above companies and the Company.</p>	5,600 shares
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Takashi Kagami is well versed in accounting and taxes, including gaining experience in a major auditing firm, and serving as representative of a company as a specialist in taxation and management consulting, and he utilizes his specialist knowledge and insight regarding business management to provide appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director serving as Audit and Supervisory Committee Member will be four (4) years at the conclusion of this General Meeting of Shareholders.</p> <p>In order to continue receiving his advice regarding the business activities of the Company as a whole, including the accounting and taxes aspects, from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director serving as Audit and Supervisory Committee Member.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company		Number of shares of the Company held
4	Shusaku Okumura (June 16, 1952)  Reappointment Outside Independent Officer  Attendance at meetings of the Board of Directors 16 / 16  Attendance at meetings of the Audit and Supervisory Committee 13 / 13	April 1977	Joined Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited)	7,800 shares
		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 serving as Audit and Supervisory Committee Member of the Company (current post) (to the present)	
	Significant concurrent positions	None		
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Shusaku Okumura has experience as a manager in nursing care related business at a major domestic non-life insurance company and as a manager of the Japanese arm of an American company, in addition to a wealth of operational experience relating to internal control, and provides appropriate advice and supervision in regard to the Company's management. His term of office as an Outside Director serving as Audit and Supervisory Committee Member will be four (4) years at the conclusion of this General Meeting of Shareholders. In order to continue utilizing his wealth of experience and receiving his advice regarding the business activities of the Company as a whole from an objective, broad, and advanced perspective, the Company proposes his continued appointment as Outside Director serving as Audit and Supervisory Committee Member.</p>				

- (Notes)
1. No special interest exists between the Company and any of the candidates for Directors serving as Audit and Supervisory Committee Members.
  2. Furthermore, other matters related to candidates for Outside Directors are as follows.
    - 1) Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura are candidates for Outside Directors as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
    - 2) Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura satisfy the Criteria for Independence of Outside Officers set forth by the Company. The Company has designated the above three (3) persons as independent officers stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, and registered them with the Exchanges. If the above three (3) persons are elected and appointed as Directors, the Company intends to continue to register them as independent officers.
    - 3) The Company has entered into an agreement with Messrs. Haruki Iinuma, Takashi Kagami, and Shusaku Okumura to limit their 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 the above three (3) persons are elected and appointed as Directors, the Company intends to continue liability limitation agreements with the same content with them.

[Opinion of the Audit and Supervisory Committee]

The Audit and Supervisory Committee has carefully considered the election of Directors of the Company, including confirming the discussions of the Advisory Committee. The Audit and Supervisory Committee has judged that the procedures for nomination when electing Directors are appropriate, and that each candidate is suitably qualified as a Director of the Company, as a result of comprehensively considering each candidate's experience, insight, and ability as a manager, taking into account the status of business execution and business performance this fiscal year, the status of discussions in the Board of Directors, the candidates' backgrounds thus far, and other factors.

(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, 2020)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>3,017,079</b>	<b>Current liabilities</b>	<b>9,601,843</b>
Cash and deposits	1,329,089	Notes and accounts payable-trade	402,491
Notes and accounts receivable-trade	700,027	Short-term loans payable	8,400,992
Inventories	676,797	Income taxes payable	657
Other	313,104	Provision for bonuses	38,034
Allowance for doubtful accounts	(1,940)	Provision for shareholder benefit program	19,000
<b>Non-current assets</b>	<b>19,355,991</b>	Other	740,667
<b>Property, plant and equipment</b>	<b>18,752,392</b>	<b>Non-current liabilities</b>	<b>8,352,014</b>
Buildings and structures	9,247,437	Long-term loans payable	3,700,014
Land	9,268,089	Lease obligations	82,515
Leased assets	100,439	Guarantee deposits received	1,624,773
Other	136,427	Deferred tax liabilities for land revaluation	2,476,495
<b>Intangible assets</b>	<b>214,793</b>	Provision for environmental measures	36,215
Goodwill	185,706	Net defined benefit liability	306,565
Other	29,087	Asset retirement obligations	54,154
<b>Investments and other assets</b>	<b>388,805</b>	Other	71,280
Investment securities	301,329	<b>Total liabilities</b>	<b>17,953,857</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	83,256	<b>(Net assets)</b>	
Deferred tax assets	13,261	<b>Shareholders' equity</b>	<b>(104,223)</b>
Other	70,986	Capital stock	100,000
Allowance for doubtful accounts	(80,028)	Retained earnings	(194,441)
		Treasury shares	(9,781)
		<b>Accumulated other comprehensive     income</b>	<b>4,504,402</b>
		Valuation difference on available-for-sale securities	(50,052)
		Deferred gains or losses on hedges	(112,921)
		Revaluation reserve for land	4,664,864
		Foreign currency translation adjustment	2,511
		<b>Subscription rights to shares</b>	<b>19,034</b>
		<b>Total net assets</b>	<b>4,419,213</b>
<b>Total assets</b>	<b>22,373,071</b>	<b>Total liabilities and net assets</b>	<b>22,373,071</b>

## Consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>4,819,101</b>
<b>Cost of sales</b>		<b>3,486,551</b>
<b>Gross profit</b>		<b>1,332,550</b>
<b>Selling, general and administrative expenses</b>		<b>925,336</b>
<b>Operating income</b>		<b>407,213</b>
<b>Non-operating income</b>		
Interest income	50	
Dividend income	6,233	
Share of profit of entities accounted for using equity method	3,424	
Other	23,706	33,414
<b>Non-operating expenses</b>		
Interest expenses	204,339	
Other	8,021	212,360
<b>Ordinary income</b>		<b>228,267</b>
<b>Extraordinary losses</b>		
Provision for environmental measures	36,215	36,215
<b>Profit before income taxes</b>		<b>192,051</b>
Income taxes-current	2,738	
Income taxes-deferred	113,506	116,245
<b>Profit</b>		<b>75,806</b>
<b>Profit attributable to owners of parent</b>		<b>75,806</b>

## Non-Consolidated Balance Sheet

(As of March 31, 2020)

(Thousands of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>2,254,551</b>	<b>Current liabilities</b>	<b>9,108,123</b>
Cash and deposits	682,415	Notes payable-trade	163,370
Notes receivable-trade	276,862	Accounts payable-trade	244,635
Accounts receivable-trade	378,729	Short-term loans payable	8,400,992
Inventories	653,463	Income taxes payable	587
Other	265,019	Provision for bonuses	29,830
Allowance for doubtful accounts	(1,940)	Provision for shareholder benefit program	19,000
<b>Non-current assets</b>	<b>19,562,543</b>	Other	249,706
<b>Property, plant and equipment</b>	<b>18,948,780</b>	<b>Non-current liabilities</b>	<b>8,252,729</b>
Buildings and structures	9,246,744	Long-term loans payable	3,700,014
Land	9,470,591	Lease obligations	82,515
Leased assets	100,439	Guarantee deposits received	1,551,913
Other	131,005	Deferred tax liabilities for land revaluation	2,476,495
<b>Intangible assets</b>	<b>214,716</b>	Provision for environmental measures	36,215
Goodwill	185,706	Provision for retirement benefits	287,338
Other	29,010	Asset retirement obligations	46,956
<b>Investments and other assets</b>	<b>399,045</b>	Other	71,280
Investment securities	214,487	<b>Total liabilities</b>	<b>17,360,852</b>
Shares and investments in capital of subsidiaries and associates	104,629	<b>(Net assets)</b>	
Long-term loans receivable	181,800	<b>Shareholders' equity</b>	<b>(64,682)</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	83,256	<b>Capital stock</b>	<b>100,000</b>
Deferred tax assets	9,547	<b>Retained earnings</b>	<b>(157,462)</b>
Other	67,354	Other retained earnings	(157,462)
Allowance for doubtful accounts	(262,028)	Retained earnings brought forward	(157,462)
		<b>Treasury shares</b>	<b>(7,219)</b>
		<b>Valuation and translation adjustments</b>	<b>4,501,890</b>
		Valuation difference on available-for-sale securities	(50,052)
		Deferred gains or losses on hedges	(112,921)
		Revaluation reserve for land	4,664,864
		<b>Subscription rights to shares</b>	<b>19,034</b>
		<b>Total net assets</b>	<b>4,456,242</b>
<b>Total assets</b>	<b>21,817,095</b>	<b>Total liabilities and net assets</b>	<b>21,817,095</b>



## Non-Consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

(Thousands of yen)

Description	Amount	
<b>Net sales</b>		<b>3,880,198</b>
<b>Cost of sales</b>		<b>2,584,668</b>
<b>Gross profit</b>		<b>1,295,529</b>
<b>Selling, general and administrative expenses</b>		<b>880,803</b>
<b>Operating income</b>		<b>414,726</b>
<b>Non-operating income</b>		
Interest income	907	
Dividend income of subsidiaries and associates	100,000	
Dividend income	6,233	
Reversal of allowance for doubtful accounts	200	
Other	5,341	112,682
<b>Non-operating expenses</b>		
Interest expenses	204,339	
Other	7,979	212,318
<b>Ordinary income</b>		<b>315,089</b>
<b>Extraordinary losses</b>		
Provision for environmental measures	36,215	36,215
<b>Profit before income taxes</b>		<b>278,874</b>
Income taxes-current	587	
Income taxes-deferred	113,825	114,413
<b>Profit</b>		<b>164,460</b>