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(Stock Exchange Code 1822)  
June 5, 2019

**To Shareholders with Voting Rights:**

Kenichi Osumi  
Representative Director  
DAIHO CORPORATION  
24-4, Shinkawa 1-Chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF  
THE 70TH 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 70th Annual General Meeting of Shareholders of DAIHO CORPORATION (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet etc. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights in accordance with the guidance on the following pages by 5:30 p.m. on Wednesday, June 26, 2019, Japan time.

**1. Date and Time:** Thursday, June 27, 2019 at 10:00 a.m. Japan time

**2. Place:** 2F Conference room at the Corporate Headquarters located at  
24-4, Shinkawa 1-Chome, Chuo-ku, Tokyo, Japan

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business Report and Non-Consolidated Financial Statements for the Company’s 70th Fiscal Year (April 1, 2018 - March 31, 2019)
  2. Consolidated Financial Statements for the Company’s 70th Fiscal Year (April 1, 2018 - March 31, 2019) and results of audits by the Independent Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements

**Proposals to be resolved:**

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of 7 Directors  
**Proposal 3:** Revision to Remuneration Limit for Directors  
**Proposal 4:** Determination of the Amount and Details of Share-based Remuneration for Directors

#### **4. Disclosure via the Internet:**

From among the document to be provided with this Notice, Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements of Consolidated Financial Statements, as well as Non-Consolidated Statements of Changes in Net Assets and Notes to Non-Consolidated Financial Statements of Non-Consolidated Financial Statements, are posted on the Company's website (<https://www.daiho.co.jp>) in accordance with laws and regulations as well as Article 18 of the Company's Articles of Incorporation and therefore are not provided in the Appendix of this Notice.

The Consolidated Statements of Changes in Net Assets, Notes to Consolidated Financial Statements, Non-Consolidated Statements of Changes in Net Assets and Notes to Non-Consolidated Financial Statements were also audited by the Independent Auditor and the Board of Corporate Auditors during the preparation of their respective audit reports as documents that constitute part of the Consolidated Financial Statements and Non-Consolidated Financial Statements.

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- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  - Please note that we will not prepare gifts for meeting attendees from this year. We appreciate your understanding.
  - Should the Business Report, Non-Consolidated Financial Statements, Consolidated Financial Statements, and the Reference Documents for the General Meeting of Shareholders require revisions, the revised versions will be posted on the Company's website (<https://www.daiho.co.jp>).

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### **Proposal 1:** Appropriation of Surplus

The Company holds a basic policy of maintaining and enhancing stable dividends while improving the financial strength as a basis for long-term development. It is proposed that the year-end cash dividend for the 70th fiscal year be ¥75.0 per share of common stock, in comprehensive consideration of the financial results and management environment during the fiscal year under review.

Matters relating to the year-end cash dividend

(1) Matters related to the distribution of dividend properties and the total amount thereof

¥75.0 per share of the Company's common stock

Total amount of dividends ¥1,277,343,600

(2) Effective date of dividends of surplus

June 28, 2019

**Proposal 2:** Election of 7 Directors

The terms of office of Directors Fumio Tada, Masanobu Nakasugi, Shigeki Murata, Kazumi Imai, Tetsuro Kawaguchi, and Kimiyoshi Kakitsuba will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the Company proposes adding one External Director to enhance the function of management oversight and electing 7 Directors.

The candidates are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Fumio Tada (November 23, 1953)  <Reappointment>	<p>April 1977      Joined the Company</p> <p>October 2000    Deputy General Manager, the 1st Civil Engineering Sales Department, Civil Engineering Division</p> <p>October 2001    General Manager, the 1st Civil Engineering Sales Department, Civil Engineering Division</p> <p>March 2003     Deputy General Manager, Nagoya Branch</p> <p>July 2004       General Manager, the 1st Civil Engineering Sales Department, Civil Engineering Division</p> <p>June 2005       Director; General Manager, the 1st Civil Engineering Sales Department, Civil Engineering Division</p> <p>April 2006       Director; Executive Officer; Deputy General Manager, Civil Engineering Division; General Manager, the 1st Civil Engineering Sales Department</p> <p>January 2007    Director; Executive Officer; General Manager, Tokyo Branch; Deputy General Manager, Civil Engineering Division</p> <p>June 2007       Director; Managing Executive Officer, General Manager, Tokyo Branch; Deputy General Manager, Civil Engineering Division</p> <p>June 2008       Director; Managing Executive Officer; General Manager, Civil Engineering Division</p> <p>June 2009       Representative Director; Senior Managing Executive Officer; General Manager, Civil Engineering Division</p> <p>April 2011       Representative Director; Operating Vice President; General Manager, Civil Engineering Division</p> <p>April 2012       Representative Director; Operating Vice President; General Manager, Construction Division</p> <p>April 2014       Representative Director; Operating Vice President (to present)</p>	8,175

[Reasons for nomination as candidate for Director]

Mr. Fumio Tada has held key positions in the civil engineering and construction divisions of the Company and has abundant experience and general management knowledge. He has been fulfilling sufficient duties as Representative Director, currently being in charge of safety and environment, overseas matters, and engineering divisions. The Company, therefore, nominates him as a candidate for Director again.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Masanobu Nakasugi (October 3, 1953)  <Reappointment>	<p>April 1977      Joined the Company</p> <p>August 1999    Manager, Legal Affairs Section, General Affairs Department, Administration Division</p> <p>March 2004     Manager, General Affairs Section, General Affairs Department, Administration Division</p> <p>January 2008    General Manager, General Affairs Department, Administration Division</p> <p>February 2009   Executive Officer; General Manager, Administration Division</p> <p>June 2009       Director; Executive Officer; General Manager, Administration Division</p> <p>June 2010       Director; Managing Executive Officer; General Manager, Administration Division</p> <p>April 2013       Director; Senior Managing Executive Officer; General Manager, Administration Division</p> <p>April 2019       Director; Operating Vice President; General Manager, Administration Division (to present)</p>	3,393
<p>[Reasons for nomination as candidate for Director]</p> <p>Mr. Masanobu Nakasugi has held key positions in the administrative division of the Company and has abundant experience and general management knowledge. He has been fulfilling sufficient duties as Director, contributing to management of the Company in all aspects of administrative operations. The Company, therefore, nominates him as a candidate for Director again.</p>			
3	Kakue Morishita (April 23, 1956)  <New Appointment>	<p>April 1979      Joined the Company</p> <p>October 2003    Acting General Manager, Sales Department, Hiroshima Branch</p> <p>April 2005       General Manager, Sales Department, Hiroshima Branch</p> <p>June 2008       General Manager, Hiroshima Branch</p> <p>April 2009       General Manager, Civil Engineering Technology Department, Osaka Branch</p> <p>April 2010       General Manager, Civil Engineering Sales Department, Osaka Branch</p> <p>April 2013       General Manager, Kyushu Branch</p> <p>April 2014       Executive Officer; General Manager, Kyushu Branch</p> <p>April 2017       Executive Officer; General Manager, Nagoya Branch</p> <p>April 2018       Managing Executive Officer; General Manager, Nagoya Branch</p> <p>April 2019       Senior Managing Executive Officer; General Manager, Civil Engineering Division (to present)</p>	738
<p>[Reasons for nomination as candidate for Director]</p> <p>Mr. Kakue Morishita has held key positions such as General Manager of Nagoya Branch and has abundant experience and achievements. The Company determined that he will continue to contribute to management of the Company, including the civil engineering business, and will fulfill his duties as Director. The Company, therefore, nominates him as a candidate for Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
4	Shuichi Nagata (May 22, 1958) <New Appointment>	April 1982 May 2011 September 2011 November 2011 April 2014 April 2015 April 2018 April 2019	Joined the Company Deputy General Manager, Construction Department, Osaka Branch General Manager, Construction Department, Osaka Branch General Manager, Construction Department, Osaka Branch; General Manager, Estimation Department, Osaka Branch General Manager, Construction Department, Construction Division; General Manager, the 1st Construction Sales Department, Construction Division Executive Officer; Deputy General Manager, Construction Division; General Manager, Construction Department; General Manager, the 1st Construction Sales Department Managing Executive Officer; Deputy General Manager, Construction Division; General Manager, Construction Department; General Manager, the 2nd Construction Sales Department Managing Executive Officer; General Manager, Construction Division; General Manager, Construction Department (to present)	2,225
[Reasons for nomination as candidate for Director] Mr. Shuichi Nagata has held key positions in the construction division and has abundant experience and advanced knowledge. The Company determined that he will continue to contribute to management of the Company, including the construction business, and will fulfill his duties as Director. The Company, therefore, nominates him as a candidate for Director.				
5	Tetsuro Kawaguchi (October 31, 1948) <Reappointment>	December 2005 March 2006 January 2008 December 2012 June 2017	Senior Regional Coordinator, Middle Eastern and African Affairs Bureau, Ministry of Foreign Affairs of Japan Senior Coordinator, Management and Coordination Division, Minister's Secretariat Ambassador in charge of Madagascar and Comoros Retired External Director of the Company (to present)	0
[Reasons for nomination as candidate for External Director] Mr. Tetsuro Kawaguchi has held key positions in government offices for many years. He has been contributing to enhancing the function of management oversight over the Company by providing various suggestions based on his extensive experience and knowledge, and fulfilling his duties as External Director. The Company, therefore, nominates him as a candidate for External Director again.				
6	Kimiyoshi Kakitsuba (October 25, 1954) <Reappointment>	April 1982 April 1986 April 2005 June 2017	Appointed as a public prosecutor at the Tokyo District Public Prosecutors Office Registered as an attorney-at-law (Daiichi Tokyo BAR Association); Joined Kakitsuba Law Office Established Tokyo Will Law Office External Director of the Company (to present)	0
[Reasons for nomination as candidate for External Director] Mr. Kimiyoshi Kakitsuba has been contributing to enhancing the function of management oversight over the Company by providing various advice based on his specialized knowledge and experience as an attorney-at-law, and fulfilling his duties as External Director. The Company, therefore, nominates him as a candidate for External Director again.				

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	Shizu Machino (January 31, 1982) (name in the family register: Shizu Shiono) <New Appointment>	December 2007 Registered as an attorney-at-law (Daiichi Tokyo BAR Association) Joined Kitahama Partners August 2015 Special Counsel, Masuda, Funai, Eifert & Mitchell, Ltd. November 2016 Joined Innoventier LPC January 2019 Partner, Innoventier LPC (to present)	0

[Reasons for nomination as candidate for External Director]

Ms. Shizu Machino has specialized knowledge and experience as an attorney-at-law. She was also a member of the independent committee set up to investigate fraudulent transactions at the Company's offices, which was described in the "Notice of Establishment of an Independent Committee" released on December 19, 2017, and worked hard for the fact-finding and root cause investigation. The Company determined that she can provide supervisory and advisory functions from an independent and objective standpoint, and is valuable in strengthening the Company's corporate governance. The Company, therefore, nominates her as a candidate for External Director.

Considering that she served as a member of the independent committee and that the commission fees that the Company paid to her was less than ¥4 million, the Company determined that there is no risk of conflict of interest between her and general shareholders of the Company, and that that she has sufficient independence.

(Notes)

1. There are no special interests between any of the candidates for Directors and the Company.
2. Responsibilities, etc. are as posted in the Directors and Corporate Auditors column in the Business Report (available in Japanese only).
3. Mr. Tetsuro Kawaguchi, Mr. Kimiyoshi Kakitsuba, and Ms. Shizu Machino are candidates for External Directors. The Company has notified the Tokyo Stock Exchange of the appointment of Mr. Tetsuro Kawaguchi and Mr. Kimiyoshi Kakitsuba as independent directors as prescribed by the Exchange. The Company will continue to designate them as independent directors if they are re-elected. Ms. Shizu Machino meets the requirements for independent directors prescribed by the Tokyo Stock Exchange and the Company plans to notify the Exchange of her appointment as an independent director.
4. The Company entered into an agreement with Mr. Tetsuro Kawaguchi and Mr. Kimiyoshi Kakitsuba to limit their liability under Article 423, Paragraph 1 of the Companies Act in accordance with Article 427, Paragraph 1 of the same act. The maximum amount of liability pursuant to the agreement is ¥10 million or the minimum amount of liability stipulated in Article 425, Paragraph 1 of the same act, whichever is higher. The Company will continue with this agreement if Mr. Tetsuro Kawaguchi and Mr. Kimiyoshi Kakitsuba are re-elected at this General Meeting of Shareholders. The Company also plans to enter into a similar limited liability agreement with Ms. Shizu Machino if she is elected at this General Meeting of Shareholders.
5. Mr. Tetsuro Kawaguchi and Mr. Kimiyoshi Kakitsuba will have served as External Directors for two years at the conclusion of this General Meeting of Shareholders.
6. The Company discovered that several offices of the Company had made fictitious orders to certain subcontractors and some improper accounting entries had been performed, while Mr. Tetsuro Kawaguchi and Mr. Kimiyoshi Kakitsuba were in office of External Director. Although both External Directors were not aware of this until its discovery, they have been making suggestions regarding the necessity of preventing recurrence and strengthening the internal audit function in response to a report by the independent committee.

**Proposal 3:** Revision to Remuneration Limit for Directors

The 67th Annual General Meeting of Shareholders held on June 29, 2016 approved a proposal to set the upper limit of remuneration for the Company's Directors at ¥180 million per year (up to ¥10 million of which is for External Directors). The upper limit has remained unchanged since then. However, if Proposal 2 is approved as originally proposed, there will be one more External Director.

Accordingly, the Company proposes keeping the upper limit of remuneration for Directors at ¥180 million per year and revising the upper limit of remuneration for External Directors from ¥10 million per year to ¥15 million per year.

As in the past, the remuneration limit for Directors does not include their salaries as employees.

The current number of Directors is 7 (2 of which are External Directors). If Proposal 2 is approved as originally proposed, the number of Directors will be 8 (3 of which are External Directors).

**Proposal 4:** Determination of the Amount and Details of Share-based Remuneration for Directors

1. Reason for the proposal and reason for concluding that the remuneration system is beneficial

The remuneration of the Company's Directors consists of base remuneration, bonuses, and share remuneration-based share options. Under this proposal, the Company requests shareholders to approve the introduction of a new share-based remuneration system (hereinafter the "System") for Directors (excluding External Directors). The Company requests shareholders to allow the Board of Directors to lay out details of the System at its discretion within the framework described in Section 2 below.

The System aims to facilitate Directors to share the benefits and risks of stock price fluctuations with shareholders and to increase their motivation to contribute to an improvement of medium- to long-term performance of the Company and an increase in corporate value by clarifying the link between remuneration for Directors and the Company's stock value. The Company, therefore, considers that this remuneration system is beneficial.

Under this proposal, if approved, the Company will provide new share-based remuneration to Directors (excluding External Directors. The same applies hereafter) who will be in office during the three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 (hereinafter the "Eligible Period"), apart from the limit of remuneration for Directors (¥180 million per year (¥15 million of which is for External Directors), excluding their salaries as employees), which will be set if Proposal 3 "Amendment to Director Remuneration Limit" is approved as originally proposed.

The number of Directors eligible for the System will be 5, if Proposal 2 "Election of 7 Directors" is approved as originally proposed.

If the introduction of the System is approved at this General Meeting of Shareholders, the Company will not grant share remuneration-based share options under the current system any more, and will not issue share acquisition rights as part of share remuneration-based share options going forward.

Furthermore, if this proposal is approved as originally proposed, the Company plans to introduce a similar share-based remuneration system to Executive Officers who have contracts of mandate with the Company.

2. Remuneration amount and details under the System

(1) Overview of the System

The System is a share-based remuneration system where a trust established by the Company through money contribution (hereinafter the "Trust") acquires shares in the Company and delivers those shares to each Director. The number of shares to be delivered to each Director correspond to the number of points the Company grants to him/her.

In principle, Directors receive the delivery of shares in the Company at their retirement.

1) Eligible persons under the System	Directors of the Company (excluding External Directors)
2) Eligible period	From the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022
3) Maximum amount of money contributed by the Company as a source fund to acquire shares in the Company to be delivered to eligible persons described in 1) during the Eligible Period of three fiscal years described in 2)	¥150 million in total
4) Method of acquiring shares in the Company	Disposal of treasury shares or acquisition from the stock exchange market (including off-floor trading)
5) Maximum number of points to be granted to eligible persons described in 1)	20,000 points per fiscal year
6) Criteria for granting points	Points are granted according to positions and other factors
7) Delivery date of shares in the Company to eligible persons described in 1)	At retirement in principle

(2) Maximum amount of the Company's money contribution

The initial trust period of the Trust shall be approximately three years. During the Eligible Period,

the Company shall pay up to ¥150 million in total as remuneration for Directors who will be in office during the Eligible Period, which will be a source of funds to acquire shares in the Company to be delivered to Directors under the System, and shall establish the Trust with Directors meeting certain requirements as its beneficiaries. The Trust shall use the money that the Company entrusts as a source of funds to acquire shares in the Company through either the disposal of treasury shares or acquisition from the stock exchange market (including off-floor trading).

Note: Money that the Company effectively entrusts to the Trust will be the sum of the estimated amount of necessary expenses such as trust fees and trust administrator fees, as well as the above-mentioned funds to acquire shares in the Company. In addition, if the Company introduces a similar share-based remuneration system to Executive Officers as mentioned above, the funds to acquire shares in the Company to deliver to Executive Officers under that system will be entrusted together.

At each time the Eligible Period expires, it may be extended by a period of three fiscal years or less by the Board of Directors' decision, and the trust period of the Trust may also be extended accordingly (this includes a case where the trust period is effectively extended by transferring the trust assets of the Trust to another trust whose purpose is the same as that of the Trust set up by the Company. The same applies hereafter) to continue the System. In such a case, during the extended Eligible Period, the Company shall additionally contribute to the Trust up to the amount obtained by multiplying the number of fiscal years for the extended Eligible Period by ¥50 million, which will be a source of funds to additionally acquire shares in the Company to deliver to Directors under the System, and shall continue to grant points described in (3) below and deliver shares in the Company.

In addition, even if the Company does not continue the System by not extending the Eligible Period as described above, when there are Directors who have already been granted points but have not retired at the expiration of the trust period, the trust period of the Trust may be extended until those Directors retire and the delivery of the Company's shares is completed.

(3) Calculation method and maximum number of shares in the Company to be delivered to Directors

1) Method of granting points to Directors

In accordance with the share delivery rules specified by the Board of Directors, the Company shall grant each Director points according to his/her position and other factors on the point-granting date specified in the share delivery rules during the trust period.

However, the total number of points granted by the Company to Directors shall be up to 20,000 points per fiscal year.

2) Delivery of shares in the Company according to the number of points granted

Directors shall receive the delivery of shares in the Company according to the number of points granted in 1) above based on the procedure 3) below.

One point corresponds to one share in the Company. However, if there is an event involving the Company's shares which warrants it reasonable to adjust the number of the Company's shares to be delivered, such as a stock split and a reverse stock split, the Company shall make a reasonable adjustment depending on the split ratio or reverse split ratio.

3) Delivery of the Company's shares to Directors

The delivery of shares in the Company to each Director described in 2) above shall be made from the Trust by each Director following the specified beneficiary confirmation procedure generally at the time of his/her retirement.

However, a certain percentage of those shares in the Company may be sold for cash within the Trust in order for the Company to collect at source funds for tax payments, such as withholding income taxes, and they may be delivered in the form of cash instead of shares. In addition, if the Company's shares held in the Trust are converted to cash, such that they are settled through participation in a tender offer, cash may be delivered instead of the Company's shares.

(4) Exercise of voting rights

The voting rights of shares in the Company held in the Trust shall not be exercised uniformly under the instructions of the trust administrator, who is independent of the Company and its officers. By using this method, the Company intends to secure neutrality towards the management of the Company in terms of exercising the voting rights of the Company's shares held in the Trust.

(5) Handling of dividends

Dividends on shares in the Company held in the Trust shall be received by the Trust and shall be used to fund the acquisition of the Company's shares and to pay fees for the trustee of the Trust.

(Reference)

For the main points of the System, please see the “Notice Concerning the Introduction of Share-based Remuneration System for Directors” dated on May 14, 2019.