

To All Shareholders

Hiroshi Nemoto
President & Representative Director
Daikoku Denki Co., Ltd.

1-43-5 Nagono, Nakamura-ku, Nagoya City, Aichi, Japan

Convocation Notice of the 44th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deep appreciation to each of you for your continuous support for us.

Please be advised that you are cordially invited to attend the 44th Ordinary General Meeting of Shareholders of Daikoku Denki Co., Ltd. (“the Company”). The meeting will be held as described below.

If you are unable to attend the meeting in person on the day of the meeting, you are entitled to vote in writing. In this case, we cordially request you to kindly review the attached Reference Document for the Ordinary General Meeting of Shareholders, indicate “for” or “against” for each of the proposals in the enclosed Voting Right Exercise Form, and return the form to us no later than 6:00 p.m., Wednesday, June 27, 2017 (Japan Standard Time).

Thank you very much for your cooperation.

Details of the 44th Ordinary General Meeting of Shareholder

1. Date and Time June 28, 2017 (Wednesday) at 10:00 a.m.
2. Place Hotel Castle Plaza , 4th floor, “HOUOU”
4-3-25, Meieki 4-chome, Nakamura-ku, Nagoya City, Aichi, Japan
3. Agenda:
 - Matters for Reporting:
 1. The 44th Business Term (from April 1, 2016 to March 31, 2017)
Report on the Business Report, the Consolidated Financial Statements, the Results on the Audits of Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
 2. The 44th Business Term (from April 1, 2016 to March 31, 2017)
Report on the Non-Consolidated Financial Statements
 - Matters for Resolution
 - Proposal 1 Election of Eleven (11) Directors
 - Proposal 2 Election of Two (2) Auditors
 - Proposal 3 Regarding the retirement benefits awarded to retiring directors and auditors
 - Proposal 4 Payment of bonuses to Directors and Auditors for the 44th Business Term

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- * When you attend the meeting in person, please submit the enclosed Voting Right Exercise Form at the reception counter.
 - * Any revisions in the Reference Document for the Ordinary General Meeting of Shareholders or attached document, will be disclosed on the Company’s website (<http://www.daikoku.co.jp>).

(Documents attached to the Notice of Convention of the 44th Ordinary General Meeting of Shareholders)

Business Report

(from April 1, 2016
to March 31, 2017)

I. Current Status of the Company Group

1. Progress and results of operations

During this consolidated fiscal year, the Japanese economy was on a moderate recovery track as evidenced by a pickup in personal consumption due to improved corporate earnings and employment on the back of economic and monetary policies taken by the government and the Bank of Japan. The economic outlook, however, remained uncertain impacted by, among other factors, the economic deceleration in China and the policies of the new US administration.

The pachinko industry, in which the Daikoku Denki Group (the “Group”) is engaged, faced a severe business environment with heightened uncertainty, such as a decreased appetite to invest in peripheral equipment, dampened by the removal and callback of “pachinko machines whose performance may differ from that of inspected units” and the pressing task of addressing the issue of addiction at pachinko parlors due to the enactment of the Draft Bill for Integrated Resort Promotion.

According to the “2016 White Paper on Adult Entertainment Business and Moral Offense Control” issued by the Community Safety Bureau of the National Police Agency, the total number of installed game machines was 4,525,253 units, as a result of a decrease of 85,258 units in pachinko game machines and an increase of 30,314 units in pachislot game machines. Consequently, the average number of installed game machines per parlor increased by 6.9 units to 411.9 units.

Under this market environment, the Information System Segment promoted partial installation of “REVOLVA,” a new information publication terminal equipped with a beautiful LCD that provides information on game machines in an easily understandable manner, to popular pachinko game machine areas and proposed improved convenience to pachinko fans with new integrated ball storage functions for “VEGASIA” (CR unit).

In order to respond quickly to expected changes in the environment, the Control System Segment worked on the collection and analysis of proper information and focused on timely proposals and sales activities while reorganizing development and production functions where flexible and quick responses are required. In addition, regarding sales of game software engaged by a subsidiary, an impairment loss of 227 million yen on fixed assets of contents was recorded under extraordinary loss as the result of shorter sales periods in the game industry and examining the collectability of future cash flows.

As a result, during the consolidated fiscal year, the net sales amounted to 40,714 million yen (down 13.4% year on year). The operating income was 1,048 million yen (operating deficit of 894 million yen in the previous year), and the ordinary income was 1,374 million yen (ordinary deficit of 749 million yen in the previous year). The net income

attributable to shareholders of the parent company amounted to 502 million yen (net deficit attributable to shareholders of the parent company of 1,676 million yen in the previous year).

Business results by segment are as follows.

Information System Segment

During the consolidated fiscal year, on the back of sluggish demand for hall computers due to a decrease in new store openings and depressed motivation to invest in peripheral equipment of existing pachinko parlors, unit sales of “VEGASIA” (CR unit), “BiGMO PREMIUM,” information publication terminal, and “IL-X2” decreased year on year. On the other hand, sales of new information publication terminal “REVOLA” and MIRAIGATE services were robust, leading to stronger relationships with customers and higher margins.

On the expense front, research and development expenses declined significantly compared to the previous year in which research and development expenses increased temporarily. As a result, the net sales in this segment were 27,260 million yen (down 20.0% year on year) and the segment-operating income was 3,011 million yen (up 32.2% year on year).

Control System Segment

During the consolidated fiscal year, the sales volume of display units and peripheral components decreased year on year since pachinko machine manufacturers revised their sales plans significantly due to voluntary restraint on replacing game machines in relation to holding of the G7 Ise-Shima Summit as well as the status of model test results, coupled with market changes associated with the removal and callback of “pachinko machines whose performance may differ from that of inspected units.” As for pachislot game machines, approximately 12,300 units (2 models) were brought to the market, which is an increase compared to approximately 5,100 units (1 model) in the previous year.

As a result, the net sales in this segment were 13,515 million yen (up 4.1% year on year) and the segment-operating deficit was 306 million yen (a segment-operating deficit of 1,319 million yen in the previous year).

(Note) Business segment results include intersegment transactions.

(Note) Business segment sales and income figures include intersegment transactions.

2. Net sales by segment

(Unit: Millions of Yen)

Segment	Previous Consolidated Fiscal Year		Consolidated Fiscal Year Under Review		Year-on-Year Comparison (%)
	Amount	Composition (%)	Amount	Composition (%)	
The Information System Segment	34,076	72.5	27,260	67.0	80.0
The Control System Segment	12,927	27.5	13,453	33.0	104.1
Total	47,004	100.0	40,714	100.0	86.6

Notes . The figures above do not include intersegment transactions.

3. Status of capital investment, etc.

Capital investment for the consolidated fiscal year under review amounted to ¥2,616 million. The main investment was an acquisition of facilities for the strengthening of production and logistics functions in the expansion of the Information System Segment. Others included expansion of equipment associated with new product development and maintenance of in-house network equipment.

4. Status of financing

There are no particular matters to note in this regard.

5. Issues to be addressed by the Group

In order to accomplish the projected net sales for the next consolidated fiscal year amid the tough market situation, the Group will seek to deal with the following challenges as “matters to be addressed” by segment for further enhancement of business results.

The Information System Segment

1. The Group aims to improve sales of computing systems for pachinko halls to ensure an increase in CII network connection with the halls.
2. Make efforts towards stable performance through the sales promotion of CR unit “VEGASIA3” as well as the expansion of added value services.
3. Launch the product/service flexibly responding to changing industry trends onto the market in a timely manner.

The Control System Segment

1. We aim to accelerate the speed of machine development, and secure high-efficient operation of the development line and sales models.
2. We strive to thoroughly collect and share information, and propose flexible planning and enhance development efficiency.

6. Changes in the status of assets and profits and losses

(1) Changes in assets and profit/loss of the Group

Item		41st Term	42nd Term	43rd Term	44th Term
		(FY Ended March 2014)	(FY Ended March 2015)	(FY Ended March 2016)	(the Consolidated Fiscal Year under Review) (FY Ended March 2017)
Net sales	(million ¥)	56,954	54,043	47,004	40,714
Ordinary income	(million ¥)	5,474	1,566	-749	1,374
Net income	(million ¥)	3,278	874	-1,676	502
Net income per share	(¥)	221.80	59.19	-113.41	34.01
Total Assets	(million ¥)	53,929	53,528	47,139	46,828
Net Assets	(million ¥)	32,260	32,138	29,291	29,151

Note: Net income per share is computed based on the weighted average number of common shares (excluding treasury stock) outstanding during each term.

(2) Changes in assets and profit/loss of the Company

Item		41st Term	42nd Term	43rd Term	44th Term
					(the Current Fiscal Year)
Net sales	(million ¥)	54,674	53,353	46,428	39,727
Ordinary income	(million ¥)	6,970	3,193	1,936	2,574
Net income	(million ¥)	2,749	226	-2,213	1,665
Net income per share	(¥)	185.95	15.32	-149.71	112.63
Total Assets	(million ¥)	52,603	51,729	44,220	45,545
Net Assets	(million ¥)	31,146	30,397	27,135	28,103

Note: Net income per share is computed based on the weighted average number of common shares (excluding treasury stock) outstanding during each term.

7. Main business lines (as of March 31, 2017)

Segment	Main products
The Information System Segment	Development, manufacturing and distribution of computing systems for pachinko halls
The Control System Segment	Development, manufacturing and distribution of units for pachinko game machines, and planning, development, manufacturing and distribution of pachinko game machines.

8. Main business locations and plants (as of March 31, 2017)

Daikoku Denki Co., Ltd.	Head Office	1-43-5 Nagono, Nakamura-ku, Nagoya City, Aichi, Japan
	Division offices	Sakashita (Aichi) , Kasugai (Aichi) , and Tokyo Design Studio (Tokyo)
	Branches	Higashi-Nihon (Tokyo), Chubu (Aichi), Nishi-Nihon (Osaka), and Kyushu (Fukuoka)
	Sales offices	Sapporo (Hokkaido), Morioka (Iwate), Sendai (Miyagi), Ibaraki (Ibaraki), Kita-Kanto (Saitama), Niigata (Niigata), Kanazawa (Ishikawa), Matsumoto (Nagano), Shizuoka (Shizuoka), Okayama (Okayama), Takamatsu (Kagawa), Hiroshima (Hiroshima), and Miyazaki (Miyazaki)
Genki Co., Ltd.	Head Office	Nakano-ku, Tokyo
Daxel Co., Ltd.	Head Office	Nagoya City
Daikoku Sangyo Co., Ltd.	Head Office	Nagoya City

9. Status of employees (as of March 31, 2017)

(1) Status of employees of the Group

Number of employees	Change from the previous consolidated fiscal year
668 persons	Increased by 27 persons

Note: The number of employees does not include the number of temporary employees of 24 persons.

(2) Status of employees of the Company

Number of employees	Change from the previous fiscal year	Average age of employees	Average length of service per employee
476 persons	Increased by 14 persons	44.1 years old	16.3 years

Note: The number of employees does not include the number of employees under contract of 15 persons.

10. Status of significant subsidiaries (as of March 31, 2017)

Name of subsidiary	Capital	Ratio of voting rights held by the Company	Main business lines
Genki Co., Ltd	¥100 million	100.0%	Planning, development and distribution of amusement software
Daxel Co., Ltd.	¥40 million	100.0%	Planning, development, manufacturing and distribution of pachislot game machines
Daikoku Sangyo Co., Ltd	¥35 million	100.0%	Planning and sales of pachinko hall support service

11. Main lenders (as of March 31, 2017)

Lender	Balance of borrowings outstanding
Mizuho Bank, Ltd.	¥800 million
Sumitomo Mitsui Banking Corporation	¥500 million
Sumitomo Mitsui Trust Bank, Limited	¥500 million
The Aichi Bank, Ltd.	¥500 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥500 million
The Bank of Nagoya, Ltd.	¥500 million

II. Matters Regarding the Shares of the Company

1. Number of Shares Authorized 66,747,000 shares
2. Number of Shares Outstanding 14,783,178 shares
3. Number of Shareholders 8,954
4. Major Shareholders (Top 10 Shareholders)

Name of Shareholder	Number of Shares Owned	Investment Ratio
Ken Kayamori	1,772,200	11.98%
Masakatsu Kayamori	1,031,650	6.97%
Hideyuki Kayamori	961,000	6.50%
Michiko Kayamori	926,000	6.26%
Hisae Kayamori	887,000	6.00%
Kazuyo Kayamori	773,000	5.22%
Kayamori Foundation of Informational Science Advancement	750,000	5.07%
Shinji Kayamori	443,450	2.99%
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TRE ATY 1	318,100	2.15%
Japan Trustee Services Bank, Ltd. (Trust Account)	276,300	1.86%

Note: Investment ratios are calculated excluding treasury stock (628 shares)

III. Matters regarding Stock Acquisition Rights, etc. of the Company

No relevant items exist.

IV. Matters Regarding Corporate Officers

1. Names and other information regarding Directors and Auditors (as of March 31, 2017)

Position	Name	Responsibilities in the Company and significant concurrent positions	
* Chairman and Representative Director	Masakatsu Kayamori	Business Strategy Headquarters Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd.	Divisional Head Director Director Representative Director
* President and Representative Director	Hideyuki Kayamori	Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd.	Representative Director Representative Director Director
* Senior Managing Director and Representative Director	Ken Kayamori	Management Headquarters Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd.	Divisional Head Director Director Director
Managing Director	Hiroshi Nemoto	Daikoku Denki Group Daxel Co., Ltd.	In-charge of sales Director
Director	Seiichiro Oue	Control System Business Division	Divisional Head
Director	Akira Kayamori	Management Control Division	Divisional Head
Director	Yoshihiro Adachi	Japan Society for the Promotion of Machine Industry ENERES Co., Ltd.	Vice-Chairman and General Director of Technical Research Institute Director
Director	Kunihiko Takeda	Nippon RAD Inc.	Director
Full-time Auditor	Mikio Ito	Genki Co., Ltd. Daxel Co., Ltd. Daikoku Sangyo Co., Ltd.	Auditor Auditor Auditor
Auditor	Hiroshi Murahashi	Attorney at law Aoki Super Co., Ltd. Chubu Securities Financing Co., Ltd. General Packer Co., Ltd. Aisan Technology Co., Ltd. The Aichi Residents' Congress for Violence Expulsion	(Representative of Ayunokaze Law Firm) Director Auditor Auditor Auditor President
Auditor	Kazunori Tajima	Certified public accountant Toyota Tsusho Corporation Nihon Decoluxe Co., Ltd. SHINWA Co., Ltd.	(Representative of Tajima CPA Firm) Auditor Director(Audit and supervisory committee) Director(Audit and supervisory committee)
Auditor	Yoshihiro Chinen		

- Notes
1. An asterisk mark (*) indicates Representative Director.
 2. Directors, Messrs. Kunihiko Takeda and Yoshihiro Adachi are both external directors specified in Article 2, Item 15 of the Companies Act. In addition, the Company has designated Mr. Kunihiko Takeda and Mr. Yoshihiro Adachi as an independent director as defined by the Tokyo Stock Exchange (TSE), and notified the TSE to that effect.
 3. Auditors, Messrs. Hiroshi Murahashi, Kazunori Tajima and Yoshihiro Chinen are both external auditors specified in Article 2, Item 16 of the Companies Act.
 4. Auditor Mr. Kazunori Tajima is qualified as a certified public accountant and has deep insight into financial affairs and accounting.

5. Mr. Shingo Sato and Mr. Tokumaru Kuniyasu retired as directors due to the expiration of their terms of office at the close of the 43rd General Meeting of Shareholders held on June 28, 2016.
6. As of April 1, 2017, Mr. Hiroshi Nemoto, Managing Director, and Mr. Hideyuki Kayamori, President and Director, respectively took up the posts of President and Director, and Chief Advisor and Director.

2. Outline of the liability limitation agreement

The Company entered into an agreement with all External Directors and External Auditors to limit their liability provided for in Article 427, Paragraph 1 of the Companies Act. The limit of liability under the said agreement is the amount stipulated by laws and regulations.

3. The total amount of remuneration, etc. for Directors and Auditors for the fiscal year ended March 31, 2017

Directors	10persons	¥151,650,000	(of which amount for External Directors)	3 persons	¥5,400,000
Auditors	4persons	¥17,115,000	(of which amount for External Auditors)	3 persons	¥12,000,000
Total	14persons	¥168,765,000	(of which amount for External Directors and Auditors)	6 persons	¥17,400,000

Notes: 1. The amount of payment to Directors does not include the compensation that they receive for being employees, if they are employees as well as Directors.

2. The above total amount of remuneration, etc. for Directors and Auditors includes provision of reserve for directors and auditors' bonuses of ¥29,600 thousand (consisting of ¥29,600 thousand for 3 Directors) and provision of reserve for directors and auditors' retirement benefits of ¥26,468 thousand (consisting of ¥25,900 thousand for 3 Directors and ¥568 thousand for 1 Auditor) that were provided in the fiscal year ended March 31, 2017.

4. Matters regarding External Directors and Auditors

(1) Relationship between significant office(s) concurrently held and the Company

Director Mr. Yoshihiro Adachi concurrently serves as Vice-Chairman and General Manager of the Technical Research Institute at the Japan Society for the Promotion of Machine Industry, but there are no significant transactions or relationships between the Japan Society for the Promotion of Machine Industry and the Company. In addition, he also serves as External Director of ENERES Co., Ltd., but there are no significant transactions or relationships between ENERES Co., Ltd. and the Company.

Director Mr. Kunihiko Takeda serves as External Director of Nippon RAD Inc., but there are no significant transactions or relationships between Nippon RAD Inc. and the Company.

There are no significant transactions or relationships between the Company and the Ayunokaze Law Firm for which Auditor Mr. Hiroshi Murahashi serves as Representative. He also serves as External Director of Aoki Super Co., Ltd., and as External Auditor of Chubu Securities Financing Co., Ltd., General Packer Co., Ltd., and Aisan Technology Co., Ltd., but the Company has no significant transactions or relationships with any of them. The Company pays membership fees to the Aichi

Residents' Congress for Violence Expulsion as President, as part of initiatives against anti-social forces and social contribution activities supporting sports for persons with a disability, but the fees paid are minimal.

There are no significant transactions or relationships between the Company and Tajima CPA Firm for which Auditor Mr. Kazunori Tajima serves as Representative. He also serves as External Director of Nihon Decoluxe Co., Ltd., and as External Auditor of Toyota Tsusho Corporation, SHINWA Co., Ltd., but the Company has no significant transactions or relationships with any of them.

(2) Main activities during the fiscal year ended March 31, 2017

Category	Name	Attendance and opinions
Director	Yoshihiro Adachi	Mr. Yoshihiro Adachi attended 13 out of 13 Board of Directors meetings held during the current fiscal year, and expressed opinions needed to promote sound and efficient management, where appropriate, from an objective standpoint and based on a high level of expert insight and knowledge.
Director	Kunihiko Takeda	Mr. Kunihiko Takeda attended 12 out of 13 Board of Directors meetings held after the assumption of his position during the current fiscal year, and expressed opinions needed to promote sound and efficient management, where appropriate, from an objective standpoint and based on a high level of expert insight and knowledge.
Auditor	Hiroshi Murahashi	Mr. Hiroshi Murahashi attended 13 out of 13 Board of Directors meetings and 13 out of 13 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly from the expert viewpoint of an attorney at law.
Auditor	Kazunori Tajima	Mr. Kazunori Tajima attended 13 out of 13 Board of Directors meetings and 13 out of 13 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly from the expert viewpoint of a certified public accountant.
Auditor	Yoshihiro Chinen	Mr. Yoshihiro Chinen attended 11 out of 13 Board of Directors meetings and 12 out of 13 Board of Auditors meetings held during the current fiscal year, and expressed opinions, where appropriate, mainly based on his ample experience and views at the National Police Agency of Japan.

Note: In addition to the above-mentioned number of the Board of Directors meetings held during the fiscal year under review, there were eight (8) resolutions in writing deemed to be passed at a Board of Directors meeting pursuant to the provision set forth in Article 370 of the Companies Act and Article 23 of the Articles of Association of the Company.

V. Status of Accounting Auditor

1. Name of Accounting Auditor: KPMG AZSA LLC

2. Amount of remuneration for Accounting Auditor

	Amount paid
Amount of remuneration, etc., to be paid by the Company to the Accounting Auditor pertaining to the fiscal year under review	¥40 million
Sum of money and other financial profits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥40 million

Note: 1. The Board of Auditors of the Company complies with the provisions on compensation as defined in Article 399 (1) of the Companies Act, as a result of examining the details of the audit plan performed by the accounting auditor, the execution of duties in the past fiscal years, and the computation basis for remuneration estimates, as well as fully understanding the situations of the Board of Directors and the internal departments.

2. The audit agreement entered into by the Accounting Auditor and the Company does not distinguish the amount derived from the audit under the Companies Act and the one derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount of remuneration, etc., to be paid by the Company to the Accounting Auditors pertaining to the fiscal year indicates the total of these two kinds of amounts.

3. Details of services other than auditing

The Company doesn't consign work other than the audit certification work described in Article 2, Paragraph 1 of the Certified Public Accountants Act to the accounting auditor.

4. Policy for determining the dismissal or non-reappointment of the Accounting Auditor

In cases where the Accounting Auditor is deemed to have conflicted with any of the following provisions, the Board of Auditors will determine a proposal on dismissal or non-reappointment of the Accounting Auditor. Upon determination of the proposal, the Board of Directors will submit the proposal to the General Meeting of Shareholders:

- (1) When the Accounting Auditor's behavior falls under causes for disqualification as set forth in the provisions of the Act;
- (2) When the authorities impose a significant punishment on the Accounting Auditor;
- (3) When the Accounting Auditor commits a violation of obligations in the course of its duties or neglects to perform its duties;
- (4) When the Accounting Auditor commits inappropriate behavior as an accounting auditor; or
- (5) When the Company determines that the Accounting Auditor's behavior could damage the shareholders' interests in other aspects.

VI. The Company's Framework and Guidelines

1. Overview of the resolution of the framework to ensure the appropriateness of business operations

Overview of the basic concepts related to the internal control system, which was resolved in the

Company's Board of Directors meetings, is as follows.:

(1) Framework to ensure compliance of the execution of duties by Directors and Employees with laws, regulations and the Articles of Association of the Company

- (i) The Company set up the Compliance Risk Management Committee (CPR Committee) whose members include the Company's legal advisor, and requires the committee to hold a meeting periodically.
- (ii) In promoting adherence to compliance with laws and regulations, the CPR Committee is required to play a central role in planning and implementing measures with an emphasis on improving the Directors' and Employees' awareness of adherence to compliance with laws and regulations.
- (iii) The Company established a consultation system and an internal whistleblower hotline so as to ensure effective and prompt collection of information related to potential risks in the consideration of whistleblower protection.

(2) Framework for storage and management of information related to execution of duties by Directors

Documents concerning the execution of duties of Directors (including electromagnetic records) shall be stored and managed in consideration of several features, such as confidentiality, searchability, preservability, archive attributes and availability, in accordance with the rules for the storage of documents.

(3) Regulations and other frameworks concerning risk management against damages or losses incurred by the Company

- (i) Pursuant to the Risk Management Rules, the Company shall take appropriate preventive measures against the risks and also secure proper response to the occurrence of the risks so as to minimize damages or losses incurred by the Company.
- (ii) Under the initiative of the CPR Committee, the Company shall identify specific risks implied in each division. On that basis, the Company shall formulate rules and criteria, and examine effective measures for prevention and avoidance of these division-specific risks, with the aim of establishing a sustainable framework to cope with these risks on an ongoing basis.

(4) Framework to ensure efficient execution of duties by Directors

The Company shall formulate rules and criteria about the establishment, composition, division of duties and management of committee meetings with the aim of encouraging prompt and appropriate managerial judgments based on adequate and accurate information, while ensuring appropriate collection, transmission and sharing of information.

(5) Framework to ensure propriety of operations by the Company and by the Group consisting of the

Company as a parent company and its subsidiaries

With regard to each Group Company's business management, the Company shall define the rules on matters to be reported and reporting methods by each Group Company to the Parent Company. On that basis, the Company shall have meetings between each Group Company and the Company on a regular basis and also unify the internal audit framework on a group-wide basis so as to figure out business management and risk information on each Group Company.

(6) Matters related to employees assigned to assist the Auditors in their duties in the event Auditors request such employees

- (i) The Company shall immediately assign employees to support the auditing work as staff to the Auditors upon request from the Auditors.
- (ii) The nomination and selection of staff supporting the auditing work shall be performed by the Personnel Department, and the appointment shall be determined by the Board of Auditors.

(7) Matters related to independence of the employees prescribed in the preceding paragraph from the Directors

The Board of Auditors shall conduct a personnel review of staff supporting the auditing work. Personnel relocation of staff supporting the auditing work shall be conducted through consultation between the Auditors and the Director in charge of personnel affairs based on the decision by the Board of Auditors.

(8) Framework to ensure reporting from Directors and Employees to Auditors, other framework relating to reporting to Auditors, and framework to ensure that auditing by Auditors be performed effectively

- (i) Directors and Employees shall immediately notify the Auditors of significant matters having an impact on business operations or business results each time.
- (ii) Auditors are entitled to have opportunities to attend the Board of Directors meeting and other important meetings (collectively called "Important Meetings, etc.") and ask questions to any attendants. These opportunities given to Auditors shall be incorporated when the rules on running Important Meetings, etc. are formulated.
- (iii) In cases where it is deemed necessary to carry out the duties on audit works, Auditors may require the Board of Directors to provide support staff, accept on-site investigation, disclose required documents, or cooperate or provide assistance for these requests. In cases where Auditors have any obstacle in conducting auditing works, Auditors may require the Directors to eliminate the cause of the obstacle or take remedial actions.
- (iv) With respect to the provision set forth in the preceding paragraph, the Group Companies shall take the same measures.

- (v) The Company shall put in place and manage appropriate and efficient rules in line with the scale and framework of each Group company so that Auditors will be able to properly collect necessary information (including information on subsidiaries) to perform their duties.
- (vi) Given the recognition that any reports or notifications to the Auditors (hereinafter, “Reports, etc.”) meet the purposes of compliance, the Company shall provide the same protection to those who provide Reports, etc. to the Auditors as whistleblowers as described in the Compliance Action Policy. In addition, any unjustifiable treatment against those who provide Reports, etc. shall be subject to sanctions.
- (vii) With regard to any prepayment and reimbursement of expenses arising from the execution of the duties of an Auditor, the Company shall put in place and manage rules or regulations allowing for a prompt payment procedure pursuant to a request from the Auditor.

2. Outline of the operational status of the framework to ensure the appropriateness of business operations

The implementation status towards the enhancement of the Company's Corporate Governance in the past year (a one-year period, from the last day of the fiscal year) is as follows.

- (1) We held 21 Board of Directors meetings (including written resolution) and determined the material facts regarding management matters (such as matters stipulated in laws and regulations and development of budget) and reviewed analyses, measures, and evaluations of monthly business performance. We also deliberated on the performance in lights of compatibility with the laws, regulations, the Articles of Incorporation, and other rules and adequacy of business operations.
- (2) We held 13 Board of Auditors meetings and discussed and determined audit policies and plans. We also audited the status of attendance to important internal meetings, business operations and assets, Directors’ execution of duties, and compliance with laws, regulations, the Articles of Incorporation, and other rules.
- (3) We held four Compliance Risk Management Committee (CPR Committee) meetings to promote various activities related to internal control. Specifically, we aimed to ensure smooth operation of internal control over compliance and risk management, information security management, internal and external reporting systems, and financial reporting.
- (4) Under the initiative of the CPR Committee, we identified daily risks in each division and examined the countermeasures on a semi-annual basis. Out of these initiatives, we formulated the Compliance Guidelines to summarize the basic concept and criteria of daily activities that should be shared by all employees. We disseminated the guidelines on a company-wide level to improve compliance awareness.
- (5) With regard to the storage and management of information documents relating to the Directors’ execution of the duties (including electromagnetic records), we committed ourselves to strict

information management and prevention of confidential information leakage, based on the document management rules and regulations.

- (6) In view of the importance of impact on the reliability of financial reporting, we held Financial Reporting Council meetings four times to enhance the internal control system, specifically with the aim of collecting risk information, fallacy information, and deficiencies information of internal control, and deliberate on measures and corrective actions against them.

3. Basic policies regarding control of the Company

The Company does not prescribe specific basic policies on the composition of persons to control decision-making over financial and business policies of the Company.

However, the Company considers it necessary to take appropriate measures against large-scale acquisition of the Company's shares that would undermine the enterprise value of the Company and damage the common interests of the shareholders. Therefore, the Company plans to organize an appropriate framework to prevent any large-scale acquisition.

4. Policy for deciding the dividends of surplus and other related matters

The Company identifies the return of profits to shareholders as one of the important corporate management policies while expanding its business scale. Therefore, the Company's basic policy for profit allocation is to provide stable dividends to its shareholders in consideration of a comprehensive assessment of business environments, earnings conditions and payout ratio.

Dividend amount and timing of its payment will be carefully determined at the Board of Directors' meeting.

The Company also has the policy to invest retained earnings in new business opportunities and operational efficiency purposes in a long-term perspective with the aim of improving its competitiveness in the market and profitability.

With respect to the 44th year dividend, we have decided on a payment of 50 yen per share for this fiscal year (40 yen year-end dividend plus 10 yen interim dividend) in accordance with the above policy.

Reference Document for the Ordinary General Meeting of Shareholders

Proposals and references

Proposal 1 Election of Eleven (11) Directors

Since the terms of office of all eight (8) directors expire at the close of this general meeting, we request the addition of three (3) members to strengthen the management structure and election of eleven (11) directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
1	Masakatsu Kayamori (December 26, 1966)	July 1987 Auditor June 1988 Director (part-time) March 1995 Directors in charge of Director's Office June 1996 Managing Director in charge of Information Promotion Office, Sales Headquarters June 1998 Senior Managing Director in charge of Information Strategy Office, Information System Business June 2000 Executive Vice President and Representative Director April 2005 President and Representative Director March 2006 Director, Daxel Co., Ltd. (Incumbent) April 2012 Chairman, Representative Director and Head of Business Strategy Headquarters (Incumbent) Director, Genki Co., Ltd. (Incumbent) April 2013 Representative Director, Daikoku Sangyo Co., Ltd. (Incumbent) April 2019 Chairman, Representative Director (Incumbent)	1,031,650
2	Hiroshi Nemoto (January 13, 1959)	October 1983 Joined the Company April 2005 Deputy General Manager, Information System Business Sector, Business Headquarters June 2005 Director and Deputy General Manager, Information System Business Sector, Business Headquarters March 2006 Director and General Manager, Information System Business Sector, Business Headquarters April 2010 Director and General Manager, Information System Business Sector October 2011 Director and Head of Information System Business Division April 2014 Managing Director, Head of Information System Business Division April 2016 Managing Director, In-charge of sales, Daikoku Denki Group Director, Daxel Co., Ltd. (Incumbent) April 2017 President and Representative Director (Incumbent)	2,700

No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
3	Ken Kayamori (August 29, 1970)	<p>June 1989 Auditor</p> <p>June 1990 Director (part-time)</p> <p>June 2000 Director in charge of Corporate Management Office</p> <p>April 2001 Director and General Manager of Corporate Planning Office</p> <p>June 2002 Managing Director and General Manager of Corporate Planning Office</p> <p>April 2005 Senior Managing Director and Representative Director</p> <p>March 2006 Director, Daxel Co., Ltd. (Incumbent)</p> <p>April 2007 Senior Managing Director, Representative Director and Head of Corporate Management Headquarters</p> <p>April 2012 Senior Managing Director, Representative Director and Head of Management Headquarters (Incumbent)</p> <p>April 2013 Director, Genki Co., Ltd. (Incumbent)</p> <p>April 2017 Director, Daikoku Sangyo Co., Ltd. (Incumbent)</p> <p>April 2017 Senior Managing Director (Incumbent)</p>	1,772,200
4	Tokishige Niwa* (June 10, 1957)	<p>February 1994 Joined the Company</p> <p>April 2001 Manager, Information System Development Sector,</p> <p>April 2003 Group Manager, Legal and Intellectual Property Office</p> <p>June 2010 Director and Chief of General Affairs Sector, Administrative Management Division</p> <p>October 2011 Director and Manager of General Affairs Department, Administrative Management Division</p> <p>April 2012 Director and Manager of Administrative Department, Management Division</p> <p>June 2014 Advisor, Management Division</p> <p>April 2017 Advisor in charge of Executive Office, Production Management Department, Administrative Department, and Corporate Planning Office (Incumbent)</p>	4,300
5	Seiichiro Oue (February 15, 1963)	<p>February 1990 Joined the Company</p> <p>April 2008 Deputy General Manager, Control System Business Sector</p> <p>April 2010 Head of Control System Business Division</p> <p>April 2014 Director and Head of Control System Business Division</p> <p>April 2014 Managing Director, Head of Control System Business Division</p> <p>April 2014 Managing Director, General Manager of Control Systems Business Department, General Manager of Frontier Department, and in charge of the Information Systems Business Department (Incumbent)</p>	175
6	Akira Kayamori (February 26, 1964)	<p>October 1992 Joined the Company</p> <p>April 2007 Deputy General Manager, Control System Business Sector, Business Headquarters</p> <p>April 2010 Deputy General Manager, Control System Business Sector</p> <p>October 2011 Deputy General Manager, Information System Business Division</p> <p>June 2012 Director and Deputy General Manager, Information System Business Division</p> <p>April 2013 Director and Deputy General Manager, Management Control Division, Management Headquarters</p> <p>April 2014 Director and General Manager, Management Control Division, Management Headquarters</p> <p>April 2017 Director and General Manager, Management Headquarters (Incumbent)</p>	189,000

No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
7	Yasuhiro Fujimaki* (February 26, 1964)	<p>April 1987 Joined the Company</p> <p>April 2008 Production Group Manager, Information Systems Business Sector</p> <p>April 2013 General Manager of Production Division</p> <p>April 2014 General Manager of Technology and Procurement Management Department and Director of Production Division</p> <p>April 2017 General Manager, Production Division (Incumbent)</p>	700
8	Manabu Matsubara* (February 7, 1965)	<p>January 1995 Joined the Company</p> <p>April 2005 Planning Group Manager, Information Systems Business Sector, Business Division</p> <p>April 2008 Planning Group Assistant Manager, Control Systems Business Sector</p> <p>April 2010 Group Manager of President's Office</p> <p>April 2012 General Manager of President's Office</p> <p>April 2014 General Manager of Corporate Planning Office (Incumbent)</p>	700
9	Toshifumi Oonari* (February 5, 1966)	<p>April 1995 Joined the Company</p> <p>April 2010 Branch Manager of Kyushu Branch, Sales Center, Information Systems Business Sector</p> <p>April 2012 Branch Manager of Kyushu Branch, Sales Division, Information Systems Business Division</p> <p>April 2015 Head of Information System Business Division and Manager of Sales Planning Department, Sales Division, Information Systems Business Division</p> <p>April 2016 Head of Information System Business Division (Incumbent)</p>	1,000
10	Yoshihiro Adachi (April 29, 1947)	<p>April 1970 Joined the Ministry of International Trade and Industry</p> <p>June 1996 Deputy Director-General for Technology Affairs, Agency of Industrial Science and Technology, the Ministry of International Trade and Industry</p> <p>October 1998 Visiting Professor, Graduate School of Engineering, The University of Tokyo</p> <p>June 2010 Director (Incumbent)</p> <p>January 2013 Vice-Chairman and General Director of Technical Research Institute, Japan Society for the Promotion of Machine Industry (Incumbent)</p> <p>March 2016 Director, ENERES Co., Ltd., (Incumbent)</p>	2,500
11	Kunihiko Takeda (June 3, 1943)	<p>April 1966 Joined Asahi Kasei Corporation</p> <p>July 1986 Head of Uranium Enrichment Laboratory, Asahi Kasei Corporation</p> <p>October 1993 Professor, Faculty of Engineering, Shibaura Institute of Technology</p> <p>May 2002 Professor, Graduate School, Nagoya University</p> <p>January 2007 Professor, Chubu University</p> <p>June 2010 Director, Nippon RAD Inc. (Incumbent)</p> <p>April 2014 Specially Appointed Professor, Institute of Science and Technology Research, Chubu University (Incumbent)</p> <p>June 2015 Director (Incumbent)</p>	—

- Notes: 1. No specific conflict of interest exists between the Company and each candidate for Directors.
2. Messrs. Yoshihiro Adachi and Kunihiko Takeda are candidates for External Directors.
3. Reasons for the election of candidates for External Directors, independence as an External Director, and a limited

liability agreement with External Directors

(1) Reasons for the election of candidates for External Directors

- (i) Mr. Yoshihiro Adachi is nominated as a candidate for External Director, because the Company believes he would be in a position to express opinions independently from the executive management team and oversee the management of the Company from a global perspective, by capitalizing on his academic expertise, including research on global environmental problems, study a new style of international cooperation and other new academic fields that serve as a bridge between engineering and corporate management. Mr. Yoshihiro Adachi has not previously been involved in the management of any company other than by becoming an external director. However, for the above reasons, the Company determined that he would be able to adequately perform the duties as an External Director.
- (ii) Mr. Kunihiko Takeda is nominated as a candidate for External Director because of his expertise in resource materials engineering as well as his experience engaged as a nuclear researcher using physical chemical methodology for a long period of time. In addition, he has been engaged actively in presenting his insights on global environmental issues, etc. through his many literary works, lectures, speeches and TV shows. Note that he does not have the experience of being involved in corporate management other than as an external director. For the reasons stated above, the Company made a judgment that he is capable of performing his duties as an External Director.

(2) Reasons for the independence as an External Director

- (i) The candidate for External Director has never executed operations at the Company or its specified business operations in the past five (5) years. In addition, the candidate for External Director has never executed operations at any joint stock company or companies whose rights and obligations have been transferred to the Company as a result of a merger, absorption-type split, or business transfer, immediately prior to such merger, etc. in the past two (2) years.
- (ii) The candidate for External Director has no intention of receiving a large amount of money or other assets (excluding remuneration as a Director) from the Company or its specified related business operations in the future, nor has he done so in the past two (2) years.
- (iii) The candidate for External Director is not a relative within the third degree of kinship to executive members of the Company or its specified related business operations.
- (iv) The Company has designated Messrs. Kunihiko Takeda and Yoshihiro Adachi as an independent director as defined by the Tokyo Stock Exchange (TSE), and notified the TSE to that effect.
- (v) When the candidates for External Directors are approved and passed at the Ordinary General Meeting of Shareholders, the Company intends to continuously designate Messrs. Kunihiko Takeda and Yoshihiro Adachi as independent directors.

(3) Term of office as an External Director of the Company

- (i) The term of office of Mr. Yoshihiro Adachi as an External Director of the Company will have been seven (7) years as of the conclusion of this Ordinary General Meeting of Shareholders.
- (ii) The term of office of Mr. Kunihiko Takeda as an External Director of the Company will have been two (2) year as of the conclusion of this Ordinary General Meeting of Shareholders.

(4) Liability limitation agreement with External Directors

The Company stipulates in the current Articles of Incorporation to the effect that an agreement that limits the liability for damages to the Company to a certain scope can be entered with outside directors in order to make possible the recruitment of qualified human resources as outside directors possible. As a result, the Company has entered into a liability limitation agreement with all current outside directors pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 26 of the Company's Articles of Incorporation, and the limit of liability is the amount stipulated in laws and regulations.

If the reappointments of Messrs. Yoshihiro Adachi and Kunihiko Takeda are approved, the Company plans on continuing the above-mentioned agreement with both individuals.

4. The “*” mark indicates new Director candidates.

Proposal2 Election of Two (2) Auditors

Of the incumbent auditors, the term of Mikio Itoh and Yasushi Murahashi will expire at the close of

this General Meeting of Shareholders, therefore it is the Company's request to elect of two (2) auditors.

The Company has obtained the consent of the Board of Auditors with respect to this proposal.

The candidates for Auditors are as follows:

Candidate No.	Name (Date of birth)	Brief personal profile, position, responsibilities and significant concurrent positions	Number of Company shares held
1*	Kozi Yoshikawa (December 31, 1959)	<p>March 1991 Joined the Company</p> <p>November 1997 General Manager of Corporate Management Office</p> <p>June 2007 General Manager of Corporate Planning Office</p> <p>July 2011 Director and General Manager of Corporate Planning Office</p> <p>June 2014 Advisor, Audit Office (Incumbent)</p>	1,000
2	Hiroshi Murahashi (April 7, 1940)	<p>October 1966 Passed the bar exam</p> <p>April 1969 Registered with Nagoya Bar Association</p> <p>July 1983 Opened Ogawa and Murahashi Law Firm</p> <p>May 1996 Changed the office name to Ayunokaze Law Firm</p> <p>June 2002 Auditor (Incumbent)</p> <p>October 2002 Appointed as a company auditor of General Packer Co., Ltd. (Incumbent)</p> <p>June 2004 Appointed as a company auditor of Aisan Technology Co., Ltd. (Incumbent)</p> <p>April 2011 Appointed as a President of The Aichi Residents' Congress for Violence Expulsion (Incumbent)</p> <p>May 2015 Appointed as a company director of Aoki Super Co., Ltd. (Incumbent)</p> <p>June 2016 Appointed as a company director of Chubu Securities Financing Co., Ltd. (Incumbent)</p>	9,400

Notes: 1. No specific conflict of interest exists between the Company and each candidate for Auditor.

2. Mr. Hiroshi Murahashi is a candidate for External Auditor.

3. Reasons for the election of candidate for External Auditor

Mr. Hiroshi Murahashi has been admitted to the bar, and we request his appointment as an external auditor in order to incorporate his sophisticated legal insights into audits to secure the legitimacy of the company's administration of businesses. The said person has never been involved in corporate management in a way other than becoming an external officer, but we have judged that he will be able to properly perform the duties of an external auditor for the reasons mentioned above. The period through which Mr. Hiroshi Murahashi has been appointed as the company's external auditor will be 15 years by the close of this general meeting.

4. Independence as an External Auditor

(1) The candidate for External Auditor has never executed operations at the Company or its specified business operations in the past five (5) years. In addition, the candidate for External Auditor has never executed operations at any joint stock company or companies whose rights and obligations have been transferred to the Company as a result of a merger, absorption-type split, or business transfer, immediately prior to such merger, etc. in the past two (2) years.

(2) The candidate for External Auditor has no intention of receiving a large amount of money or other assets (excluding remuneration as an Auditor) from the Company or its specified related business operations in the future, nor has he done so in the past two (2) years.

(3) The candidate for External Auditor is not a relative within the third degree of kinship to executive members of the Company or its specified related business operations.

- (4) Facts regarding inappropriate execution of duties during his term of office, measures taken to prevent such occurrences, and taken after occurrence of such;
Not applicable.
5. Liability limitation agreement with External Auditor
In order to enable the Company to include competent External Auditors, the Company provides in the current Articles of Incorporation that the Company may enter into agreements with External Auditors to limit their liability to the Company. As a result, the Company has entered into a liability limitation agreement with all current outside auditors pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 33 of the Company's Articles of Incorporation, and the limit of liability is the amount stipulated in laws and regulations.
If the reappointment of Mr. Hiroshi Murahashi is approved, the Company plans on continuing the above-mentioned agreement, and entering into the agreement with Mr. Koji Yoshikawa.
6. The “*” mark indicates new Auditor candidates.

Proposal 3 Offering retirement bonuses for retiring director and retiring auditor

Mr. Hideyuki Kayamori, Director, and Mr. Mikio Itoh, Auditor, are going to retire due to the expiration of their terms of office at the close of this general meeting. In order to reward them for their services during their terms of office, retirement bonuses will be provided within the range of the adequate amount based on the company's designated criteria, and we request that its specific amount, timing, and offer method, etc., are left entirely to the Board of Directors meeting in the case of the retiring director, and discussion among the auditors in the case of the retiring auditor, respectively.

Biographies of the retiring director and retiring auditor are as follows.

Name	Brief personal record	
Hideyuki Kayamori	April 1998	Director
	June 2000	Senior Managing Director and Representative Director
	April 2005	Executive Vice President and Representative Director
	April 2012	President and Representative Director
	April 2017	Chief Advisor and Director (To the present date)
Mikio Itoh	June 2005	Full-time Auditor (To the present date)

Proposal 4 Payment of bonuses to Directors and Auditors for the 44th Business Term

The Company proposes to pay bonuses to three (3) Representative Directors who were in office at the end of the fiscal year ended March 31, 2017 in the total amount of ¥29,600,000, taking into account the business performance for the fiscal year and actual payment made in the past, etc.

(The Company proposes that the decision as to the allocation of the amount to each Director be entrusted to the Board of Directors with regard to Directors.)

End