Tosei Corporation

Securities Code: 8923
February 5, 2016

Dear Shareholders,

Notice of the 66th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 66th Ordinary General Meeting of Shareholders of Tosei Corporation (the "Company"; this meeting, the "Meeting"), which will be held as described below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electromagnetic method (using the Internet, etc.). Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 6:00 p.m. on Wednesday, February 24, 2016 (JST).

For information on voting results when voting rights are exercised by electromagnetic method (using the Internet, etc.), please refer to "Guide to Exercising Voting Rights via the Internet" on pages 62 through 63.

Sincerely yours,

Seiichiro Yamaguchi
President and CEO
Tosei Corporation
4-2-3 Toranomon, Minato-ku, Tokyo

Details

1. Date and Time:

Thursday, February 25, 2016, at 10:00 a.m. (JST) (The reception for attendees begins at 9:00 a.m.)

2. Place:

Jiji Press Hall (2nd Floor, Jiji Press Building)
5-15-8 Ginza, Chuo-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements, for the 66th term (from December 1, 2014 to November 30, 2015)

b. Non-consolidated Financial Statements for the 66th term (from December 1, 2014 to November 30, 2015)

Matters to be resolved:

Proposal 1: Appropriation of Surplus

Proposal 2: Election of Five (5) Directors

Notes:
* When you attend the Meeting, you are kindly requested to present the enclosed Voting Form to the receptionist.
* If any changes are made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements, such changes will be posted on the Company's website (http://www.toseicorp.co.jp/)

After the closing of the Meeting, the Business Strategy Presentation Meeting will be held in the same place. We would very much like you to stay on and attend this meeting.

(Attachment)

Business Report

(From December 1, 2014 to November 30, 2015)

1. Current status of the Group

(1) Status of operations for the fiscal year under review

a. Business developments and results

During the fiscal year ended November 30, 2015, the Japanese economy remained on a moderate recovery track despite apparent weaknesses in some areas, amid a trend of an improving employment and income environment. Although we have concerns which include the risk of a business downturn in Asia's emerging markets and elsewhere as the U.S. moves toward normalization of its monetary policy, personal consumption has been firm overall and we see signs of recovery in housing construction.

In the real estate industry where Tosei Group operates, J-REITs and private placement funds have been actively making investments against a backdrop of expectations for higher rents and a favorable financing environment, and foreign-owned corporations have been engaging in sizeable transactions. According to a survey of private companies, in the first half of fiscal 2015, from April to September, domestic real estate transactions by listed companies and other such entities slightly decreased 2.5% compared with the same period of the previous fiscal year to ¥2.0898 trillion, and as such were largely unchanged year on year and at their third-highest level ever for the first half (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, despite overall strength driven by business in popular areas within wards of Tokyo, the number of condominium units sold from January to October 2015 fell 4.4% year on year to just over 30,000 units amid an apparent trend of decreasing condominium supply due to surging costs of building in the suburbs of the Tokyo metropolitan area. Meanwhile, the contract rate hovered at around the 70% threshold from which market conditions are viewed as favorable, and moreover the forecast of a private research institute currently projects sales of 45,000 units over the entire fiscal 2015, which is the same level as last year. However, the outlook going forward remains uncertain, partially due to the potential adverse impact of the piling scandal (according to a survey by a private research institution).

In the Tokyo metropolitan area build-for-sale detached house market, housing starts for the months January to September 2015 decreased 4.2% year on year to 41,987 units. The market has been firm overall thanks in part to the government's move to expand Japan's home loan tax deduction and other such policy developments (according to the Ministry of Land, Infrastructure, Transport and Tourism data).

In the office leasing market of Tokyo's five business wards, the vacancy rate continued on a downward path to the mid-4% range, supported by strong demand largely fueled by companies expanding offices and integrating business locations. Robust demand with respect to offices fueled progressive hikes in asking rents, leading to modest gains in average asking rent ongoing since January 2014. After ending 2014 at around ¥17,000 per tsubo, average asking rent was in the ¥17,600 territory as of autumn 2015 (according to a survey by a private research institution).

In the real estate securitization market, the total acquisition amount of J-REIT properties over January to September 2015 increased 19.9% year on year to ¥1.3 trillion amid a scenario of buyers scrambling to buy properties in anticipation of higher real estate prices (according to a survey by a private research institution).

As of June 30, 2015, the total value of assets under management in the J-REIT market amounted to ¥13.5 trillion and private placement funds amounted to ¥15.1 trillion for a total market size of ¥28.6 trillion (according to a survey by a private research institution).

Amid this operating environment, in the Revitalization Business the Tosei Group made steady progress in selling assets such as income-generating office buildings and apartments, and in the Development Business the Group pushed ahead with sales of detached houses, while also moving forward with initiatives for projects involving development of commercial facilities and other such properties. In addition, we proactively acquired income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the fiscal year under review, totaled ¥43,006 million (down 14.0% year on year), operating profit was ¥6,891 million (up 23.9%), profit before tax was ¥6,040 million (up 29.5%), and profit for the year was ¥4,135 million (up 43.9%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 24 properties it had renovated, including Toyocho Tosei Building (Koto-ku, Tokyo), Shinjuku 6-chome Building (Shinjuku-ku, Tokyo), Ogawamachi Tosei Building (Chiyoda-ku, Tokyo), Shibuya 4-chome Building (Shibuya-ku, Tokyo), SEA SCAPE Chiba-minato (Chiba-shi, Chiba) and Kannai Tosei Building II (Yokohama-shi, Kanagawa). In addition, the segment sold 68 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Renai Kamakura Ueki (Kamakura-shi, Kanagawa). In the fiscal year under review, the segment also acquired a total of 25 income-generating office buildings, commercial facilities and apartments and eight land lots for renovation and sales purposes. In addition, consolidated subsidiary TOSEI SINGAPORE PTE. LTD. started acquiring properties in Malaysia with the acquisition of five units of income-generating office buildings and apartments under sectional ownership in Kuala Lumpur.

As a result, revenue in this segment was ¥25,986 million (down 25.2% year on year) and the segment profit was ¥4,187 million (up 25.7%).

Development Business

During the fiscal year under review, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 105 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Mitsuike Kouen (Yokohama-shi, Kanagawa), THE Palms Court Bunkyo Honkomagome (Bunkyo-ku, Tokyo) and THE Palms Court Kawasaki Daishi (Kawasaki-shi, Kanagawa). In addition, the segment sold THE Palms Nishidai, which is a newly-built apartment, and six land lots. In the fiscal year under review, it also acquired eight land lots for detached housing projects.

As a result, revenue in this segment was ¥6,605 million (up 8.1% year on year) and the segment profit was ¥534 million (up 23.7%).

Rental Business

During the fiscal year under review, while the segment sold 14 buildings of its inventory assets held for leasing purposes, 20 properties including newly acquired income-generating office buildings, commercial facilities and apartments contributed to income in this segment. In addition, the segment also focused on leasing activities for its existing holdings of non-current assets and inventory assets.

As a result, revenue in this segment was ¥4,084 million (down 1.7% year on year) and the segment profit was ¥1,730 million (down 28.4%).

Fund and Consulting Business

During the fiscal year under review, while ¥182,329 million was subtracted from the balance of assets under management, due mainly to property dispositions by funds, ¥303,513 million was added to the balance of assets under management, due mainly to new asset management contracts of large projects the segment obtained. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥2,339 million (up 146.4% year on year) and the segment profit was ¥1,373 million (up 685.1%).

As of November 30, 2015, the balance of assets under management (Note) totaled ¥421,792 million.

(Note) The balance of assets under management includes the balance of assets that were subject to consulting contracts, etc.

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts as some customers terminated contracts partially as a result of their disposing of such managed properties. Consequently, the total number of properties under management was 547 as of November 30, 2015, an increase of three properties from November 30, 2014, with that total comprising 351 office buildings, parking lots, schools and other such properties, and 196 condominiums and apartments.

As a result, revenue in this segment was ¥3,069 million (up 4.3% year on year) and the segment profit was ¥146 million (down 35.4%).

Alternative Investment Business

During the fiscal year under review, membership fees from running a sports club contributed to income in this segment. In addition, the segment also focused on leasing activities for properties acquired by a substitute performance.

As a result, revenue in this segment was ¥921 million (down 14.6% year on year) and the segment profit was ¥322 million (up 50.9%).

Business segment	Revenue
Revitalization Business	¥25,986 million
Development Business	6,605
Rental Business	4,084
Fund and Consulting Business	2,339
Property Management Business	3,069
Alternative Investment Business	921
Total	43,006

b. Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥858 million.

c. Status of financing

The Group raised funds of ¥31,627 million by means of non-current loans during the fiscal year under review.

(2) Status of operating results for and assets at the end of the fiscal year under review and the most recent three fiscal years

a. Trends in operating results and assets of the Group

	63rd term (Year ended November 30, 2012)	64th term (Year ended November 30, 2013)	65th term (Year ended November 30, 2014)	66th term (Year under review) (Year ended November 30, 2015)
Revenue (Thousands of yen)	24,195,800	35,070,345	49,981,563	43,006,964
Profit attributable to owners of the parent (Thousands of yen)	1,465,284	2,006,471	2,874,226	4,135,816
Basic earnings per share (Yen)	3,207.44	43.05	59.53	85.66
Total assets (Thousands of yen)	65,363,083	71,283,073	80,858,080	93,196,052
Total equity (Thousands of yen)	26,543,892	30,092,426	32,727,836	36,228,378

(Notes) 1. The above table has been made under International Financial Reporting Standards (IFRS) starting the 64th term. For reference, figures for the 63rd term are shown in accordance with IFRS.
2. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the basic earnings per share were calculated on the assumption that the share had been split at the beginning of the 64th term.
3. For all of the figures for the 64th term, IAS 19 “Employee Benefits,” has been applied, and retrospective restatements were made retrospectively in accordance with transitional measures.

b. Trends in operating results and assets of the Company

	63rd term (Year ended November 30, 2012)	64th term (Year ended November 30, 2013)	65th term (Year ended November 30, 2014)	66th term (Year under review) (Year ended November 30, 2015)
Net sales (Thousands of yen)	19,431,692	30,044,918	45,361,084	37,242,841
Ordinary income (Thousands of yen)	2,016,138	2,654,711	4,130,769	5,553,118
Net income (Thousands of yen)	1,198,413	1,656,236	2,439,091	3,906,732
Net income per share (Yen)	2,623.27	35.54	50.52	80.91
Total assets (Thousands of yen)	61,593,045	67,207,256	76,218,316	88,071,296
Net assets (Thousands of yen)	25,699,023	29,015,893	31,131,670	34,478,314

(Notes) 1. The above table has been made under Japanese GAAP.
2. The accounting policy has been changed in order to make more appropriate disclosure of profit or loss for the period, starting the 64th term. In line with this, figures calculated by retrospectively applying the change of the accounting policy are shown for the 63rd term.
3. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the net income per share was calculated on the assumption that the stock had been split at the beginning of the 64th term.

(3) Status of significant parent company and subsidiaries

a. Status of significant subsidiaries

Name of company	Capital or investments in capital	Equity ownership [Indirect equity ownership]	Major lines of business
Tosei Community Co., Ltd.	¥99,500 thousand	100.0%	Property management business
Tosei Asset Advisors, Inc.	¥100,000 thousand	100.0	Fund and consulting business
Tosei Singapore Pte. Ltd.	S$4,000,000	100.0	Real estate consulting business
NAI Tosei Japan, Inc.	¥70,000 thousand	100.0	Real estate brokerage and consulting business
Tosei Revival Investment Co., Ltd.	¥50,000 thousand	100.0	Alternative investment business
Crystal Sports Club	¥35,000 thousand	100.0	Alternative investment business

(Note) Hestia Capital Limited Company, which had been a consolidated subsidiary of the Company until the previous fiscal year, was excluded from the scope of consolidation, since it was merged by absorption-type merger with Tosei Revival Investment Co., Ltd. on June 1, 2015.

b. Results of business combinations

Results of business combinations during the fiscal year under review are presented above in “1. Current status of the Group, (1) Status of operations for the fiscal year under review, a. Business developments and results.”

(4) Medium-term management strategies and issues to be addressed

Under the Group’s corporate philosophy “Create new value and inspiration in all aspects of real estate as a group of global-minded and experienced professionals,” the Group established its three-year medium-term management plan aiming to further increase the Group’s corporate value.

Under the medium-term management plan “Advancing Together 2017,” whose first year was the fiscal year ended November 30, 2015, the Group aims to become a group of real estate businesses with a sustainable competitive advantage and high quality management by setting the following four key policies:

(i) Further expand the existing business segments/consider and advance into peripheral businesses

(ii) Establish optimal governance and an efficient operating structure

(iii) Develop human resources while increasing Group employee satisfaction

(iv) Enhance customer satisfaction while building Tosei’s brand recognition

Issues the Tosei Group needs to address in order to achieve objectives of the medium-term management plan include the following.

1)We need to take steps toward achieving further expansion in our six existing areas of business. This involves strengthening of purchases of properties for renovation and development and land for projects, while enhancing our strengths for renovating, developing, selling and leasing, and also increasing our balances of leasing properties, assets under management and real estate under management. To that end, we will identify trends in the real estate investment and housing markets and the domestic and foreign financial markets, while also promptly responding to changes in the real estate market.

2)We need to adjust our internal operations to reflect our expanded business operations and the heightening public demand for more stringent governance practices. To that end, we will rebuild the Tosei Group's overall systems to ensure effective and efficient internal controls and strengthen operations of our divisions that handle internal administration.

3)We need to secure a diverse workforce and implement education and training in view of business expansion. To that end, we will increase levels of employee satisfaction by encouraging sophistication of company operations, delegating authority, creating new types of operations and other such means.

4)We need to further reinforce our continuous efforts (supplying products, providing services and contributing to society) geared toward establishing the "Tosei brand" as one that conveys the combined notions of "innovation and challenge" and "assurance and reliability."

(5) Major lines of business (As of November 30, 2015)

Segment	Operations
Revitalization Business	The Tosei Group acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value through value-up plans judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual end users. In the "Restyling Business," the Group acquires income-generating condominiums and sells their units to end-users after boosting the value of common and private areas by renovation (the Group continues to hold and manage occupied units as rental properties).
Development Business	Primarily in the main districts of Tokyo, the Tosei Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Tosei Group carries out development and new construction to maximize the value of the land, and then sells the properties to buyers including investors, real estate funds and individual end-users.
Rental Business	The Tosei Group rents out to end-users offices, residences, shops, parking lots, etc. that the Group owns primarily in the main districts of Tokyo. The Group enhances "value-up plans" of the Revitalization Business and increases asset management capabilities of the Fund and Consulting Business by gathering information on tenant needs and reflecting these needs.
Fund and Consulting Business	The Tosei Group conducts business as a type II financial instruments business as well as an investment advisory and agency business and an investment management business as provided for in the Financial Instruments and Exchange Act. In addition to such work as purchasing, selling and brokering trust beneficiary rights in accordance with a wide variety of investor needs, the Group provides advice regarding the acquisition, holding and disposition of properties, and asset management services and discretionary investment services for real estate funds.
Property Management Business	This business carries out comprehensive property management that meets a wide variety of real estate needs including administration, facility management, cleaning and security for condominiums, office buildings and their facilities, repair work for the private portions of condominiums and office buildings, as well as contract work of office interior renovation.
Alternative Investment Business	This business invests in real estate collateralized loans and acquires collateral through collecting receivables and accepting substitute performances, and acquires businesses including companies with real estate holdings and real estate business operators. The business also utilizes the expertise of the Tosei Group to boost the value of the real estate it acquires before selling it. In addition, the business operates sports clubs.

(6) Major business offices (As of November 30, 2015)

Name	Business office and its location
Tosei Corporation (the Company)	Head office: Minato-ku, Tokyo
Tosei Community Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Asset Advisors, Inc.	Head office: Minato-ku, Tokyo
Tosei Singapore Pte. Ltd.	Head office: Singapore
NAI Tosei Japan, Inc.	Head office: Minato-ku, Tokyo
Tosei Revival Investment Co., Ltd.	Head office: Minato-ku, Tokyo
Crystal Sports Club	Head office: Setagaya-ku, Tokyo

(7) Status of employees (As of November 30, 2015)

a. Status of employees of the Group

Segment	Number of employees	Year-on-year change
Revitalization Business	39	7
Development Business	37	(6)
Rental Business	15	1
Fund and Consulting Business	66	27
Property Management Business	81	7
Alternative Investment Business	22	(1)
Group-wide (common)	41	3
Total	301	38

(Notes) 1. The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 163.

2. It turned out that the number of employees as of November 30, 2014 disclosed in the Business Report for the 65th term did not include 20 employees of Crystal Sports Club, the Company's consolidated subsidiary. As of November 30, 2014, the number of employees of the Alternative Investment Business and the total number of employees were 23 and 263, respectively, including the employees of Crystal Sports Club. The year-on-year change presented above indicates an increase or decrease in the number of employees including the employees of Crystal Sports Club from the previous year-end.

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
140	9	36.8 years old	5.4 years

(Note) The number of employees indicates the number of employees currently on duty.

(8) Major lenders (As of November 30, 2015)

Lender	Loan balance (Millions of yen)
Mizuho Bank, Ltd.	6,747
Sumitomo Mitsui Banking Corporation	4,920
The Shoko Chukin Bank, Ltd.	4,177
Aozora Bank, Ltd.	3,600
Resona Bank, Limited.	3,304

(9) Other important matters regarding the current status of the Group

Not applicable.

2. Current status of the Company

(1) Status of shares (As of November 30, 2015)

a. Total number of shares authorized 150,000,000 shares

b. Total number of shares issued 48,284,000 shares

c. Number of shareholders 6,818

d. Major shareholders (Top 10)

Name of shareholder	Number of shares held	Holding ratio
Seiichiro Yamaguchi	12,885,500 shares	26.68%
Zeus Capital Limited	6,000,000	12.42
KBL EPB Ordinary Account 107501	2,412,700	4.99
Japan Trustee Services Bank, Ltd. (Trust Account)	2,250,300	4.66
CBNY-Government of Norway	1,577,988	3.26
State Street Bank and Trust Company 505001	1,415,200	2.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,168,500	2.42
BNP PARIBAS Securities Services Luxembourg／JASDEC／FIM／Luxembourg Funds	775,000	1.60
HSBC-Fund Services, Sparx Asset Management Co., Ltd.	736,700	1.52
MSCO CUSTOMER SECURITIES	610,700	1.26

(2) Status of stock acquisition rights, etc.

a. Status of stock acquisition rights delivered to and held by officers as consideration for execution of duties (As of November 30, 2015)

Stock acquisition rights by resolution of the Board of Directors held on October 28, 2015 (Fifth Series of Stock Acquisition Rights)

- Number of stock acquisition rights

  340 units

- Class and number of shares delivered upon exercise of stock acquisition rights

  34,000 ordinary shares (100 shares per stock acquisition right)

- Amount to be paid in for stock acquisition rights

  21,500 yen per stock acquisition right (215 yen per share)

- Value of property to be contributed upon exercise of stock acquisition rights

  80,300 yen per stock acquisition right (803 yen per share)

- Period during which stock acquisition rights may be exercised

  From January 10, 2018 to October 28, 2020

- Terms and conditions for exercising stock acquisition rights

  1) Holders of stock acquisition rights are required to have the rank of Director of the Company at the time of exercising the stock acquisition rights; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director due to retirement at the expiration of the period in office or due to resignation at the request of the Company.

  2) Inheritance of stock acquisition rights shall not be permitted.

  3) Pledging of stock acquisition rights or any other disposition shall not be permitted.

- Status of stock acquisition rights held by officers of the Company

	Number of stock acquisition rights	Number of shares delivered upon exercise of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	300 units	30,000 shares	3
Outside Directors	40 units	4,000 shares	2

b. Status of stock acquisition rights delivered to employees as consideration for execution of duties during the fiscal year

Stock acquisition rights by resolution of the Board of Directors held on October 28, 2015 (Fifth Series of Stock Acquisition Rights)

- Number of stock acquisition rights

  4,720 units

- Class and number of shares delivered upon exercise of stock acquisition rights

  472,000 ordinary shares (100 shares per stock acquisition right)

- Amount to be paid in for stock acquisition rights

  Payment of money in exchange for stock acquisition rights shall not be required.

- Value of property to be contributed upon exercise of stock acquisition rights

  80,300 yen per stock acquisition right (803 yen per share)

- Period during which stock acquisition rights may be exercised

  From January 10, 2018 to October 28, 2020

- Terms and conditions for exercising stock acquisition rights

  1) Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director or Audit & Supervisory Board Member of the Company or a subsidiary of the Company due to retirement at the expiration of the period in office, or who no longer have the rank of Executive Officer or employee of the Company or a subsidiary of the Company due to retirement at mandatory age. In addition, this shall not apply in the event that persons with the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company lose such a rank based on justifiable grounds.

  2) Inheritance of stock acquisition rights shall not be permitted.

  3) Pledging of stock acquisition rights or any other disposition shall not be permitted.

- Status of stock acquisition rights delivered to employees

	Number of stock acquisition rights	Number of shares delivered upon exercise of stock acquisition rights	Number of stock acquisition rights delivered
Executive Officers of the Company	490 units	49,000 shares	7
Employees of the Company	3,980 units	398,000 shares	193
Directors of the Company’s subsidiaries	250 units	25,000 shares	4

c. Other important matters regarding stock acquisition rights, etc.

Not applicable.

(3) Status of officers of the Company

a. Status of Directors and Audit & Supervisory Board Members (As of November 30, 2015)

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and CEO	Seiichiro Yamaguchi	President and CEO
Director	Katsuhito Kosuge	COO and Senior Executive Officer of Business Division In charge of Asset Solutions Business Promotion Department Director of Tosei Asset Advisors, Inc.
Director	Noboru Hirano	CFO and Senior Executive Officer of Administrative Division Director of Tosei Revival Investment Co., Ltd. Director of Tosei Community Co., Ltd.
Director	Goro Kamino	President and Representative Director of Sala Corporation President CEO of Gastec Service, Inc. Chairperson of Sala Cars Japan Co., Ltd. President and Representative Director of Chubu Gas Co., Ltd. Outside Director of Sala House Co., Ltd. Outside Director of Toyohashi Cable Network Inc. Outside Director of Musashi Seimitsu Industry Co., Ltd. Outside Director of Nippon Venture Capital Co., Ltd.
Director	Kenichi Shohtoku	Representative Director of SCS Global Consulting (S) Pte Ltd. Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD.
Audit & Supervisory Board Member (full-time)	Yasuhiro Honda	
Audit & Supervisory Board Member (full-time)	Yutaka Kitamura	Audit & Supervisory Board Member of Tosei Community Co., Ltd.
Audit & Supervisory Board Member (full-time)	Hiroshi Nishinakama	
Audit & Supervisory Board Member	Tatsuki Nagano	Director and Representative Partner of RG Asset Management Services Limited (HK) Director of System Location Co., Ltd.
Audit & Supervisory Board Member	Osamu Doi	

(Notes)
1. Directors Goro Kamino and Kenichi Shohtoku are Outside Directors.
2. All the Audit & Supervisory Board Members above are Outside Audit & Supervisory Board Members.
3. Director Kenichi Shohtoku is qualified as a certified public accountant and has considerable expertise in finance and accounting.
4. The Company notified the Tokyo Stock Exchange of Directors Goro Kamino and Kenichi Shohtoku and all members of the Audit & Supervisory Board as independent directors/auditors pursuant to the regulations of the said Exchange.

b. Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

Total amount of remuneration, etc. for the fiscal year under review

Category	Number of payees	Amount paid
Directors	5	¥145,101 thousand
Audit & Supervisory Board Members	5	33,710
Total [Of the above, Outside Directors and Outside Audit & Supervisory Board Members]	10 [7]	178,811 [44,017]

(Notes) 1. Maximum total amount of Directors' remuneration is set at ¥240 million (excluding employee salaries) per year as determined at the 57th Ordinary General Meeting of Shareholders held on February 27, 2007.

In addition to this, Directors' remuneration as stock options within the range of ¥36 million per year was approved at the 65th Ordinary General Meeting of Shareholders held on February 25, 2015.

2. Maximum total amount of Audit & Supervisory Board Members' remuneration is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004.

3. The above amounts of remuneration include the following:

- Provision for directors' retirement benefits for the fiscal year under review: ¥5,472 thousand (¥4,972 thousand for five Directors (including ¥162 thousand for two Outside Directors) and ¥500 thousand for four Audit & Supervisory Board Members (including ¥500 thousand for four Outside Audit & Supervisory Board Members))
- The amount of the remuneration provided as stock options: ¥47 thousand (¥47 thousand for five Directors (including ¥5 thousand for two Outside Directors))

4. Other than the above, the total amount of remuneration, etc. received by Outside Director(s) and/or Outside Audit & Supervisory Board Member(s) from the Company's subsidiaries was ¥1,700 thousand, and this was paid to one person.

c. Matters regarding outside officers

1) Status of important concurrent positions in other corporations, etc. and relationships between the Company and such other corporations, etc.

- Director Goro Kamino serves concurrently as President and Representative Director of Sala Corporation, President CEO of Gastec Service, Inc., Chairperson of Sala Cars Japan Co., Ltd., and President and Representative Director of Chubu Gas Co., Ltd. He is also an Outside Director of Sala House Co., Ltd., Toyohashi Cable Network Inc., Musashi Seimitsu Industry Co., Ltd., and Nippon Venture Capital Co., Ltd. There are no special relationships between the Company and each of Sala Corporation, Gastec Service, Inc., Sala Cars Japan Co., Ltd., Chubu Gas Co., Ltd., Sala House Co., Ltd., Toyohashi Cable Network Inc., Musashi Seimitsu Industry Co., Ltd., and Nippon Venture Capital Co., Ltd.
- Director Kenichi Shohtoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. There are no special relationships between the Company and SCS Global Consulting (S) Pte Ltd or ROKI GROUP HOLDINGS CO., LTD.
- Audit & Supervisory Board Member Yutaka Kitamura serves concurrently as Audit & Supervisory Board Member of Tosei Community Co., Ltd., a wholly-owned consolidated subsidiary of the Company. Tosei Community Co., Ltd. has entered into various agreements with the Company including the management contracts for office buildings, condominiums and other properties owned by the Company.
- Audit & Supervisory Board Member Tatsuki Nagano serves concurrently as Director and Representative Partner of RG Asset Management Services Limited (HK). He is also a Director of System Location Co., Ltd. There are no special relationships between the Company and each of RG Asset Management Services Limited (HK) and System Location Co., Ltd.

2) Main activities during the fiscal year under review

	Main activities
Goro Kamino, Director	Goro Kamino attended 13 of the 20 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective, external standpoint based on his extensive experience as a management executive and practical knowledge, and his consequent high level of insight.
Kenichi Shohtoku, Director	Kenichi Shohtoku attended all 20 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as an accounting expert based on his wide-ranging experience and expertise as a certified public accountant, including overseas service.
Yasuhiro Honda, Audit & Supervisory Board Member	Yasuhiro Honda attended all 20 meetings of the Board of Directors and all 18 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and the Board of Directors based on his extensive experience as a management executive and practical knowledge, and his consequent high level of insight.
Yutaka Kitamura Audit & Supervisory Board Member	Yutaka Kitamura attended all 20 meetings of the Board of Directors and all 18 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge.
Hiroshi Nishinakama Audit & Supervisory Board Member	Hiroshi Nishinakama attended all 15 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the fiscal year under review following his assumption of office on February 25, 2015. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge.
Tatsuki Nagano, Audit & Supervisory Board Member	Tatsuki Nagano attended 16 of the 20 meetings of the Board of Directors and 16 of the 18 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his wide-ranging experience and specialist knowledge.
Osamu Doi, Audit & Supervisory Board Member	Osamu Doi attended 17 of the 20 meetings of the Board of Directors and 17 of the 18 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

d. Outline of content of limited liability agreement

The Company has concluded contracts for limitation of liability with Outside Directors and Outside Audit & Supervisory Board Members pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits their liability to the amount provided by relevant laws and regulations.

(4) Status of Accounting Auditor

a. Name Shinsoh Audit Corporation

b. Amount of remuneration, etc.

Category	Amount paid
Amount of remuneration, etc. to be paid during the fiscal year under review	¥31,000 thousand
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	34,000

(Notes) 1. Because amounts of audit fees and others for audits under the Companies Act and for audits under the Financial Instruments and Exchange Act are not clearly segmented in an auditing agreement between the Company and the Accounting Auditor, and cannot be distinguished practically, the total amount of these fees and others is shown in the amount of remuneration, etc. for the fiscal year under review.

2. Pursuant to Article 399, paragraph 1 of the Companies Act, the Audit & Supervisory Board gives its consent on the amount of remuneration, etc. to be paid for the Accounting Auditor based on the assessment of the audit plans prepared by the Accounting Auditor, the status of its execution of duties, the trend of audit fees, and the basis for estimating remuneration, etc. in accordance with the “Practical Guidelines on Coordination with Accounting Auditors” issued by Japan Audit & Supervisory Board Members Association, a Public Interest Incorporated Association.

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

If any of the matters set forth in items of Article 340, paragraph 1 of the Companies Act is deemed to apply to the Accounting Auditor, the Audit & Supervisory Board shall dismiss the Accounting Auditor based on the agreement of all Audit & Supervisory Board Members. If this occurs, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and provide the reasons for the dismissal at the first General Meeting of Shareholders convened after the said dismissal.

In addition, if something interferes with the Accounting Auditor’s duties or if otherwise judged necessary, the Audit & Supervisory Board determines a proposal for the dismissal or non-reappointment of the Accounting Auditor to be resolved at the General Meeting of Shareholders, and based on the determination, the Board of Directors submits such proposal as a matter for resolution at the General Meeting of Shareholders.

(5) Systems to ensure properness of operations

Regarding systems to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of a company's operations (internal control system), the Company has established the following basic policies with a partial amendment effective on July 27, 2015 in connection with the enforcement of the Revised Companies Act.

a. Basic policies for compliance with laws and regulations

(i) Ensure awareness among all officers and employees regarding compliance with laws and regulations.

(ii) Strengthen the checking function for breaches of laws and regulations.

(iii) Promptly react to any breach of laws and regulations, and make timely and appropriate information disclosure concerning such breaches.

(iv) Eliminate any association with anti-social forces.

b. Basic policies for storing and managing information

(i) Ensure awareness among all officers and employees regarding the importance of storing and managing information.

(ii) Enhance the measures for preventing the leakage of material information.

(iii) Ensure thorough familiarity with material information and information requiring timely disclosure and prevention of misstatements or material omissions.

c. Basic policies for management of risk of loss

(i) Ensure thorough understanding, analysis and assessment of risks that may hinder the continuation of the Company's corporate activities.

(ii) Enhance monitoring of risk management.

(iii) Establish a proper internal reporting system for any occurrences and/or signs that contingencies may occur.

(iv) Promptly react to any occurrence of contingencies and/or accidents, and make timely and appropriate disclosure of information regarding such occurrences.

d. Basic policies for efficient execution of duties by Directors

(i) Carry out deliberation and decision-making on the important management matters of the Company, in an efficient, timely and appropriate manner.

(ii) Eliminate excessive pursuit of efficiencies in management plans and/or business targets and make balanced decisions considering the soundness of the Company.

(iii) Establish a system to allow appropriate and efficient execution of business in accordance with the rules on delegation of operational authority.

e. Basic policies for properness of the operations of the entire Group

(i) Strive for a full penetration of the understanding of the Company's corporate philosophy and awareness for the compliance among the officers and the employees of each of the Group companies and ensure that each of the Group companies complies with laws and regulations.

(ii) Strive for full awareness, analysis and evaluation of risks that impede the sustenance and continuation of the businesses of each of the Group companies, prepare for contingencies, and establish a system to compel prompt reporting if contingencies occur.

(iii) Formulate a medium-term management plan, business plans for single fiscal year and budgets for the same relating to the entire Group, periodically check the progress of these plans, and compel timely reporting on newly occurring problems and appropriately handle such problems.

(iv) For matters that are important and those for which timely disclosure is required at each of the Group companies, and other matters relating to execution of duties by officers and employees at each of the Group companies, establish a system to compel prompt reporting from each of the Group companies to the Company.

(v) Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.

(vi) Eliminate wrongful acts and/or irregular transactions using the Group.

f. Basic policies for systems to ensure effective audits by Audit & Supervisory Board Members

(i) Designate members of staff to assist Audit & Supervisory Board Members in their duties, and have them carry out assistance duties under the command of the Audit & Supervisory Board Members.

(ii) Ensure the independence of the aforementioned members of staff from Directors and obtain concurrence from the Audit & Supervisory Board for personnel matters for the said members of staff such as transfers and performance evaluations.

(iii) In addition to deliberations on proposals and reports on important matters at the Board of Directors, have Audit & Supervisory Board Members attend important meetings for business execution, and carry out periodic interviews with Directors and important employees. Furthermore, ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified any material loss and signs of the same or any breach of regulations or misconduct, and prompt reporting to the same in response to demands from Audit & Supervisory Board Members.

(iv) Establish a system to compel prompt reporting to Audit & Supervisory Board Members from all officers and employees at each of the Group companies who have identified any material loss caused by management at each of the Group companies and signs of the same or any breach of laws and regulations or misconduct, or from officers and employees of the Company who have received reports from such persons, and strive for its full implementation, and also compel prompt reporting if reporting is demanded by Audit & Supervisory Board Members.

(v) Ensure full notification of policy not to mete out disadvantageous treatment for the reason of a report described in the preceding two paragraphs made by officers and employees of the Company and each of the Group companies to Audit & Supervisory Board Members.

(vi) Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.

(vii) When Audit & Supervisory Board Members request advance payments, etc. of expenses, promptly handle the said expenses or debt obligations, except in cases where they are deemed unnecessary for the execution of duties.

(viii) Directors are to make efforts to understand and support audits by Audit & Supervisory Board Members and proactively work to improve issues raised by Audit & Supervisory Board Members.

(ix) In order to accomplish adequate audits of the entire Group performed by Audit & Supervisory Board Members, Directors are to cooperate with Audit & Supervisory Board Members as necessary.

Under the basic policies above, in a continuous effort to develop the internal control system, the Company establishes plans for implementation and operation of the internal control system annually taking into consideration of revisions of relevant laws and regulations, changes in the business environment of the Group, expansion of the businesses, etc.

The internal control system of the Group implemented and operated as of November 30, 2015 is as

follows.

a. Compliance with laws and regulations, etc.

i) Ensure awareness regarding compliance with laws and regulations

In order to promote awareness of compliance with laws and regulations, the Company establishes a risk management and compliance program at the beginning of the fiscal year and provides various training sessions to employees. In addition, the Company continues monthly publication of an in-house booklet, and gathers and publishes compliance slogans to foster the legal awareness of employees.

At the Compliance Committee (held monthly) composed of executive officers in charge of each division and compliance officers of each of the Group companies, and at a business law liaison meeting (held monthly) attended by heads of business teams of the operational divisions and responsible personnel from each Group company, the participants share information about amendments of laws and regulations, etc. and notices from the presiding ministries and industry associations of which the Group is a member and assess instances of breaches of laws and regulations by other companies. Those details are reported to the monthly meetings of the Board of Directors.

In addition, the Company provides compliance trainings to new employees when they join the Company and carries out a compliance questionnaire for all employees of the Group every year to assess the extent of the penetration of awareness regarding compliance with laws and regulations.

ii) Strengthen the checking function for breaches of laws and regulations

For the purpose of overseeing breaches of laws and regulations associated with the execution of businesses, the Company strives to strengthen the overseeing and supervising function of the Board of Directors by appointing two Outside Directors and five Audit & Supervisory Board Members (all outside members). Audit & Supervisory Board Members periodically hold a meeting to exchange opinions with Outside Directors (four times during the period under review) and the legal advisors of the Company (three times during the period under review) in order to identify any signs of breaches of laws and regulations by Directors who execute the business.

Furthermore, while the Internal Audit Department conducts internal audits of the businesses executed by the Company and each Group company and assesses any breach of laws and regulations, the Company has established a whistle-blowing system providing contact points both inside and outside the Company and keeps all employees of the Group informed of the whistle-blowing system to strengthen the structure that promptly detects breaches of laws and regulations. The whistle-blowing system added a new contact point with a direct access to full-time Audit & Supervisory Board Members, which is in place starting from the fiscal year ending November 30, 2016.

iii) Promptly react to any breach of laws and regulations, and make information disclosure

At the Board of Directors' meeting, the management meeting attended by full-time Directors and all executive officers as well as Audit & Supervisory Board Members, and the Compliance Committee, efforts are made to collect information about signs or occurrence of breaches of laws and regulations, and reports on any concerns are enforced. The Company has stipulated and informed the rules that require a crisis management office directed by the President and CEO as the head to be immediately established once breaches are identified, confirmation of facts and circumstances, and prompt and appropriate information disclosure.

iv) Eliminate any association with anti-social forces

The Company continues screening of counterparties at the inception of transactions and carries out a regular training on action against anti-social forces for all employees of the Group every fiscal year in order to completely eliminate any association with anti-social forces.

b. Storing and managing information

i) Ensure awareness regarding the importance of storing and managing information

Trainings on information asset management and prevention of insider trading are carried out in order to continuously enhance awareness regarding storing and managing important information including personal information, handling and reporting important information about the Company, other listed companies and listed REIT (insider information).

ii) Enhance the initiatives for preventing the leakage of important information

Regulations regarding acquisition, storage, management, and disposal of information assets (printed and electronic information) are reviewed, more severe penalties for breaches of such regulations are implemented, and the regulations and penalties are thoroughly informed.

iii) Ensure thorough familiarity with material information and information for timely disclosure and prevention of misstatements

The Information Disclosure Committee, which consists of executive officers in charge of each division (held 22 times during the period under review), identifies information for which timely disclosure is required, and reviews the contents of information to be disclosed and the document in which the information is disclosed. In addition, any changes in the rules regarding timely disclosure in connection with amendments of rules and regulations prescribed by the Tokyo Stock Exchange and the Singapore Exchange are reviewed as necessary by the Committee and reported to the monthly meetings of the Board of Directors.

c. Management of risk of loss

i) Ensure thorough understanding, analysis and assessment of risks

A risk management program is set at the beginning of the fiscal year, and an annual plan regarding risk management is prepared and implemented.

In understanding, analyzing and assessing risks, an external consulting firm assesses significance of risks related to overall operations as well as individual businesses on a regular basis, sorts out risks specific to each division, and considers countermeasures in case risks arise.

Also, various trainings are continuously provided to all employees to enhance their risk sensitivity in their daily activities.

From the fiscal year under review, the Company implemented stress tests assuming there are changes in the condition of real estate markets, interest forecast, financial institutions' lending stances, etc.

ii) Enhance monitoring of risk management

At corporate governance meetings attended by full-time Directors and full-time Audit & Supervisory Board Members that are held monthly, risks associated with executions of businesses by the Company and each Group company are reported regularly by the full-time Directors to the full-time Audit & Supervisory Board Members.

In addition, at the meetings of the Risk Management Committee, which is composed of the heads of each division and the risk management officers of each Group company, surfacing risks as well as the background and status of such risks are reported by each division and each Group company, which are then reported to the meetings of the Board of Directors of the Company.

The Internal Audit Department monitors responses to such surfacing risks as necessary and reports the results of monitoring to the President and CEO.

iii) Establish a proper internal reporting system for any occurrences and/or signs that contingencies may occur

Risks that may occur are reported at the monthly meetings of the Risk Management

Committee, which are then reported to the monthly meetings of the Board of Directors.

In addition, the executive officers of each division hold a weekly meeting at each division to promptly identify any business troubles and claims and to ensure that initial actions are instructed. All matters discussed at the meeting are reported to the President and CEO.

Full-time Audit & Supervisory Board Members have regular interviews with full-time Directors, executive officers in charge of each division and heads of each division and inform them that any signs of occurrence of contingencies should be reported to Audit & Supervisory Board Members as appropriate and officers and employees are required to report immediately to Audit & Supervisory Board Members if they identify any contingencies.

iv) Promptly react to any occurrence of contingencies and disclose information

Actions to be taken in case of occurrence of contingencies are prescribed in regulations and informed by preparing manuals. During the fiscal year under review, the Company merged two risk management related regulations, two compliance related regulations, and one business risk management regulation into one risk/compliance regulation, and has promoted awareness of risk and crisis management in the Company.

In case of occurrence of a contingency that may have significant effects on the operation of the Company, a crisis management office directed by the President and CEO as the head will be established to collect information, confirm facts and circumstance, develop and implement countermeasures, and properly disclose information in a timely manner.

d. Efficient execution of duties by Directors

i) Carry out deliberation and decision-making on the important management matters, in an efficient, timely and appropriate manner

In addition to the regular meetings of the Board of Directors, which are held on a monthly basis, extraordinary meetings of the Board of Directors are held flexibly in order to make decisions promptly (regular meetings were held 12 times, and extraordinary meetings were held eight times during the current period).

In order to ensure that deliberations by the Board of Directors are carried out efficiently and substantially, management meetings attended by all executive officers and all Audit & Supervisory Board Members are held to examine the matters to be resolved at the Board of Directors in advance (regular meetings were held 24 times, and extraordinary meetings were held six times during the current period).

ii) Eliminate excessive pursuit of efficiencies in the management plans, etc. and pursue the balance with the soundness

Corporate philosophy has been formulated to thoroughly communicate the management policy and the direction the Group should take, and a medium-term management plan and annual business plans are formulated in accordance with the philosophy.

As for preparation of business plans, business plans and budgets for subsequent periods are formulated taking into consideration of the trend of the performance progress of the ongoing period based on the analysis of internal and external economic environment, the condition of real estate markets, etc.

iii) Establish a system to allow appropriate and efficient execution of business

In order to enhance the agility of the reorganization of business division implemented in the previous fiscal year (in which four departments were newly reorganized into four departments and eight teams of asset solutions business), the number of executive officers in charge of the department has increased.

In addition, the Company initiated restructuring of the function of the Administrative Division aiming at an effective and efficient internal management structure in line with the increased number of employees and Group companies associated with the expansion of its

businesses.

e. Properness of operations of entire Group

i) Ensure compliance with laws and regulations by officers and employees of each Group companies

Two major Group companies are required to establish their own risk management and compliance program at the beginning of the fiscal year, and at these companies, the compliance with laws and regulations are thoroughly informed, and trainings, etc. are carried out to promote their awareness. Other Group companies are required to attend the trainings conducted by the Company to foster their awareness. Furthermore, responsible personnel of each Group company are required to attend meetings of the Company's Compliance Committee and business law liaison meetings (both held monthly) to ensure information sharing and reporting from each company. In addition, the Company's in-house booklets about compliance with laws and regulations are distributed to the Group companies to keep them informed of the importance of compliance.

The same compliance questionnaire as the Company is conducted in order to assess the effectiveness of compliance trainings and the degree of awareness, identify issues of each company, and consider responses to such issues.

ii) Ensure thorough understanding, analysis and assessment of operational risks related to each Group company, and responses to contingencies

Full-time Directors, Audit & Supervisory Board Members and executive officers of the Company serve concurrently as outside officers of Group companies and review management issues and risks of each company. Responsible personnel of each Group company are required to attend the monthly meeting held by the Risk Management Committee of the Company to ensure information sharing and reporting from each company, and also required to report the status of their responses to the issues of each company at the Company's management meeting on a monthly basis.

The Internal Audit Department of the Company monitors responses to the surfacing issues and potential risks of each company as necessary and reports the results of monitoring to the President and CEO of the Company and the Director in charge of the Group company. When necessary, an external organization checks the status.

iii) Formulate a medium-term management plan, business plans for single fiscal year and budgets relating to the entire Group, manage the progress of these plans, and respond to new issues appropriately

Based on the medium-term business plan in line with the Group's corporate philosophy, annual business plans and budgets are prepared toward the achievement of such plan. The progress of the business plans and budgets is reported at the management meeting of the Company on a monthly basis, and also, responses to new issues are deliberated and areas to be focused during the next half year period are specified at the performance progress review meeting held with each company on a half-yearly basis.

iv) Establish a system for prompt reporting of significant matters of each Group company to the Company

In addition to the periodical reports at each of the Company's meetings and committees held on a monthly basis (the management meeting, the Risk Management Committee and the Compliance Committee), full-time Directors, Audit & Supervisory Board Members, executive officers who serve concurrently as officers of Group companies report to the President and CEO of the Company as necessary.

Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose

information in a timely and appropriate manner.

v) Enhance the system for ensuring the appropriateness of the financial reporting relating to the entire Group

In order to ensure the appropriateness of the financial reporting and the expeditious consolidated financial closing, the Finance & Accounting Department of the Company holds a financial closing meeting with the accounting department of each Group company for every quarterly closing to share information and provide instructions for accounting procedures.

Furthermore, annual plans for internal control (J-SOX) are prepared to ensure the appropriateness of the financial reporting, and in accordance with the plans, the Internal Audit Department of the Company conducts self-assessments and the audit corporation conducts internal control audits.

vi) Eliminate wrongful acts and/or irregular transactions using the Group

Wrongful acts and/or irregular transactions are overseen by providing monthly management reports of each Group company at the management meeting attended by Audit & Supervisory Board Members of the Company and having periodic interviews (twice a year) by Audit & Supervisory Board Members of the Company with representatives of each Group company. Also, rules have been established requiring any significant transactions by a Group company with the Company or other Group companies to be reported in advance to the Board of Directors of the Company.

f. System to ensure effective auditing by Audit & Supervisory Board Members

i) Designate members of staff to assist Audit & Supervisory Board Members in their duties

The Internal Audit Department has been assigned as the department in charge, and the personnel of the Internal Audit Department provide assistant duties under the command of Audit & Supervisory Board Members and carry out administrative duties for the Audit & Supervisory Board.

ii) Ensure the independence of the aforementioned members of staff from Directors

Evaluations, rewards and punishments, and transfers of personnel of the Internal Audit Department are carried out after the concurrence from the Audit & Supervisory Board is obtained in advance.

iii) Ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified occurrence or signs of any material losses, any breach of laws and regulations or misconduct, and prompt responses to the inquiry from Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members are provided with reports about various issues of the Company and each Group company regarding all aspects of management at monthly corporate governance meetings. The President and CEO makes reports on his areas of responsibility in the interviews by full-time Audit & Supervisory Board Members once a month, whereas other full-time Directors make such reports once a quarter and executive officers and heads of divisions make the reports twice a year. In addition to the events and signs that may lead to potential significant risks, any individual surfacing issues are reported to Audit & Supervisory Board Members in a timely and appropriate manner.

iv) Ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees of each Group companies who have identified occurrence and signs of any material losses attributable to the management of each Group company, any breach of laws and regulations or misconduct, and prompt responses to the inquiry from Audit & Supervisory Board Members

At the management meetings of the Company, each Group company is required to reports occurrence and signs of any material losses along with the monthly management reporting.

In addition, full-time Audit & Supervisory Board Members of the Company have interviews with representatives of each Group company on a regular basis (once at the investigation of subsidiaries, twice a year upon opinion-exchanging meetings) to share information and exchange opinions about significant risks associated with management of the Group company.

At morning briefings and training sessions, all officers and employees of the Group are informed that those who identify any breach of laws and regulations or misconduct have a duty to report Audit & Supervisory Board Members of the Company promptly.

v) Ensure full notification of prohibition of disadvantageous treatments for the reason of a report by officers and employees of the Company and the Group companies to Audit & Supervisory Board Members

Regulations of the Company explicitly states that those who report Audit & Supervisory Board Members or whistle-blowers are protected from any disadvantageous treatments, and such policy is informed at training sessions, etc.

vi) Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs

The Company established a whistle-blowing system that provides both internal contact point that leads to the chairman of the Compliance Committee and the head of the Administration and HR Department of the Company and external contact point that leads to a third party organization where anonymity of the whistle-blower is preserved. All officers and employees of the Group are provided with a pocket-size card on which the contact points of the whistle-blowing system are listed and informed of the system at the morning briefings and training sessions. During the fiscal year under review, the whistle-blowing system added a new contact point with an access to Audit & Supervisory Board Members, which is in place starting from the fiscal year ending November 30, 2016.

Reports through the whistle-blowing systems, if any, are promptly reported to Audit & Supervisory Board Members, and when no whistle-blowing has occurred, this fact is reported on a monthly basis.

vii) Allowance for expenses associated with execution of duties of Audit & Supervisory Board Members

Expenses required for audit activities by Audit & Supervisory Board Members are appropriated in the budget, and expenditures are reimbursed in a timely manner. Also, any unbudgeted expenditures required for audit activities are properly handled.

viii) Directors' understanding of and support for the audits by Audit & Supervisory Board Members and proactive improvement of the issues raised by Audit & Supervisory Board Members

At the Board of Directors' meeting subsequent to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. At the Board of Directors' meeting once every three months, Directors report the status of their responses to the issues raised by full-time Audit & Supervisory Board Members in the monthly audit reports as well as the issues pointed out and matters requested to be considered in the quarterly meetings in which the audit corporation explains its audit result to the Directors.

With the aim of enhancing the threefold auditing structure, full-time Directors provide appropriate cooperation for holding periodic meetings in which the audit corporation reports to the Audit & Supervisory Board Members (Audit & Supervisory Board) as well as the periodic meetings at which Audit & Supervisory Board Members and Internal Audit Department exchange opinions.

ix) Cooperation by Directors aiming to enhance audits by Audit & Supervisory Board Members

across the entire Group

In addition to the Board of Directors' meeting, full-time Audit & Supervisory Board Members attend the important meetings and committees of the Company (corporate governance meetings, management meetings, the Compliance Committee, the Risk Management Committee, and the Information Disclosure Committee) to verify the management conditions of the entire Group, risk information, and financial information, and to share information. Furthermore, in addition to the periodic interviews by full-time Audit & Supervisory Board Members with full-time Directors including the President and CEO, executive officers, and representatives of the Company's subsidiaries, the liaison meetings of Audit & Supervisory Board Members of the Group companies are held on a half-yearly basis with necessary cooperation by full-time Directors.

(6) Basic policy regarding the control of the Company

a. Details of the basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a change of control of the Company. Also, the Company will not reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company's board of directors to make an alternative proposal and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

Particularly, it is necessary and essential for the Company to (i) maintain the system under which the Company internally covers the six business fields that allow the "integration of real estate and finance," which leads to maximization of the potential of the Company group, (ii) maintain employees who support that system with knowledge and experience specializing in real estate and finance, (iii) maintain the Company's trust in the real estate industry that has been built up over a long period of time based on the establishment of the ability and information networks supporting various value creation technologies, and (iv) master knowhow that enables comprehensive business. Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company as well as the details of financial and business affairs of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons that control decisions on the Company's financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking necessary and reasonable countermeasures against a large-scale acquisition by such persons.

b. Measures to realize the basic policy

1) Special measures to realize the basic policy

The Group established a new medium-term management plan called "Advancing Together 2017" (the targeted period of the plan is three years from December 2014 to November 2017) and commenced its efforts under the plan from the 65th term. Under this medium-term management plan, the Group aims to further strengthen the business infrastructure by expanding and developing the existing six business areas and considering its advance to peripheral areas of business, to build optimum corporate governance for expansion of the Group and an increase in the number of employees which are entailed in expansion of the business, and to establish efficient organization management structure. Further, the Group emphasizes the cultivation of the most valuable asset of the Group, i.e. the human resources, to increase the satisfaction of the employees of the Group. As the basic policy of the current medium-term management plan for the further growth of the Group, the Group is determined

to establish the original and distinctive "Tosei brand" by providing products ensuring high customer satisfaction and high-quality services.

2) Measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy

The Company renewed the "Plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense plan)" with the approval at the 65th Ordinary General Meeting of Shareholders held on February 25, 2015 (the renewed takeover defense plan is to be referred to as the "Plan").

(i) Purpose of the Plan

The purpose of the Plan is, on the occasion that a proposal of large-scale acquisition of the shares in the Company is made, to ensure necessary and sufficient time and information for the shareholders to make appropriate decisions and to ensure opportunities to negotiate with the acquirer and the like, and thereby to deter takeovers that are against the corporate value of the Company and the common interests of its shareholders, and to ensure and enhance the corporate value of the Company and the common interests of its shareholders.

(ii) Targeted acquisitions

The Plan will be applied in cases of (i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. of a holder totaling at least 20% of the share certificates, etc. issued by the Company; or (ii) a tender offer that would result in the ownership ratio of share certificates, etc. of the party making the tender offer and the ownership ratio of share certificates, etc. of a person having a special relationship with the party totaling at least 20% of the share certificates, etc. issued by the Company, or any similar action, or a proposal for such action (except for those approved by the Board of Directors; such an action or proposal is to be referred to as the "Acquisition" and the party attempting the Acquisition is to be referred to as the "Acquirer").

(iii) Submission of Acquirer's Statement

The Company will request the Acquirer to submit to the Company in the form separately prescribed by the Company a document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, "Acquirer's Statement") before commencing or effecting the Acquisition. The Acquirer's Statement must include the name, address or location of headquarters, location of offices, governing law for establishment, name of the representative, contact information in Japan for the Acquirer and the outline of the intended Acquisition.

(iv) Request to the Acquirer for the provision of information

The Company will provide the Acquirer the format for the Acquisition Document no later than 10 business days after receiving the Acquirer's Statement. The Acquirer must provide the Board of Directors with the document in the form provided by the Company, which includes the information described in each item of the list below.

(a) Details (including name, capital structure, financial position, operation results, status of compliance with laws or ordinances, terms of previous transactions by the Acquirer similar to the Acquisition and effects on the corporate value of the target companies as a result of the transactions) of the Acquirer and its group (including Joint Holders, persons having a special relationship, members (in the case of a fund) and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation)

(b) The purpose, method and specific terms of the Acquisition (including the amount and type of consideration, the timeframe, the scheme of any related transactions, the legality of the Acquisition method, terms and conditions and the probability of the Acquisition)

(c) The amount and basis for the calculation of the purchase price of the Acquisition (including assumptions and the like)

(d) Financial support for the Acquisition (including the names of providers of funds (including all indirect providers of funds), financing methods and the terms of any related transactions and the like)

(e) Details of communications regarding the Acquisition with a third party (if any)

(f) Post-Acquisition management policy, administrative organization, business plan, capital, dividend and asset management policies for the Company and the Company group

(g) Post-Acquisition policies for the Company's shareholders (other than the Acquirer), employees, business partners, customers, and any other parties such as stakeholders in the Company

(h) Specific measures to prevent conflicts of interests between the Acquirer and other shareholders in the Company

(i) Any other information that the Independent Committee reasonably considers necessary

(v) Independent Committee Consideration

The Independent Committee will conduct its consideration of the Acquisition terms, collection of information on the materials such as the management plans and business plans of the Acquirer and the Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Board of Directors, and the like for a period of time that does not, as a general rule, exceed sixty days after the date on which the Independent Committee receives the information (including the information additionally requested) from the Acquirer and (if the Independent Committee requests the Board of Directors to provide information) the Board of Directors. Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer.

If the Independent Committee determines that the Acquisition by the Acquirer falls under any of the requirements described in (ix) below, the Independent Committee will recommend the implementation of the gratis allotment of stock acquisition rights to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or discussion or negotiation with the Acquirer is necessary.

(vi) Resolutions by the Board of Directors

The Board of Directors will pass a resolution relating to the implementation or non-implementation of a gratis allotment of stock acquisition rights respecting the recommendation of the Independent Committee described above to the maximum extent. If a meeting of shareholders is convened in accordance with (vii) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

(vii) Convocation of the Shareholders Meeting

Upon the implementation of the gratis allotment of the stock acquisition rights pursuant to the Plan, the Board of Directors may convene a meeting of shareholders (the "Shareholders Meeting") and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the stock acquisition rights, if (i) the Independent Committee recommends implementation of the gratis allotment of stock acquisition rights subject to confirming the shareholders' intent in advance, or (ii) the applicability of Trigger Event (2) becomes an issue in respect of the Acquisition and the Board of Directors determines it appropriate to confirm the shareholders' intent taking into consideration the time required to convene the Shareholders Meeting or other matters pursuant to the duty of care of a director.

(viii) Information disclosure

The Company will disclose, in a timely manner, information on matters that the Board of Directors considers appropriate including the progress of each procedure set out in the Plan, an outline of recommendations made by the Independent Committee, an outline of resolutions by the Board of Directors and an outline of resolutions at the Shareholders Meeting.

(ix) Requirements for the gratis allotment of stock acquisition rights

The requirements to trigger the Plan to implement a gratis allotment of stock acquisition rights are as follows. The Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases that time and information reasonably necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of stock acquisition rights.

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of stock acquisition rights.

(a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions

- A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price
- Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets
- Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company
- Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends

(b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear)

(c) Acquisitions to which the terms (including the amount and type of consideration, timeframe, legality of the Acquisition method, probability of the Acquisition being effected, and post-Acquisition management policies or business plans and policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value

(d) Acquisitions that materially threaten to oppose the corporate value of the Company and, in turn, the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners and the like and the brand strength or the corporate culture of the Company, which are indispensable to the generation of

the Company's corporate value

(e) An Acquisition to be effected by an Acquirer who is extremely inappropriate to acquire the control of the Company in terms of public order and morals in cases such as where a person related to an anti-social force is included in the management of or the major shareholders in the Acquirer

(x) Outline of the stock acquisition rights

The stock acquisition rights which will be allotted gratis in accordance with the Plan can be exercised by paying the amount determined by the Board of Directors within the range between the lower limit of one yen and the upper limit of 50% of the market price of one share of the stock of the Company. As a general rule, one ordinary share can be acquired by the exercise. Further, a term of exercise that an exercise of rights by non-qualified parties including the Acquirer is not permitted and a term of acquisition that the Company can acquire one stock acquisition right in exchange for one share of the stock of the Company as a general rule from parties other than non-qualified parties are attached.

(xi) Effective period of the Plan

The effective period of the Plan expires at the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the 65th Ordinary General Meeting of Shareholders. However, if, before the expiration of the Effective Period, the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

(xii) Impact on shareholders

Even after introducing the Plan, assuming gratis allotment of stock acquisition rights has not been implemented, there is no direct or specific impact on shareholders. If the gratis allotment of stock acquisition rights has been implemented in accordance with the Plan, and the shareholders do not follow the procedures for exercising stock acquisition rights, the value of shares owned may be diluted (However, if the Company acquires stock acquisition rights in exchange for shares in the Company, no dilution of share value will take place.).

c. Decisions and reasoning by the Board of Directors regarding above specific measures

The medium-term management plan and various measures such as the enhancement of corporate government of the Company are developed as specific measures to continuously and sustainably improve the corporate value of the Company and the common interests of its shareholders, and are consistent with the Company's basic policy.

The Plan is a mechanism to ensure and enhance the corporate value of the Company and the common interests of its shareholders and thus is consistent with the basic policy. In particular, fairness and objectivity are ensured under the Plan because: the Plan satisfies the three principles set out in the Guidelines Regarding Takeover Defense (the Ministry of Economy, Trade and Industry, etc.); approval of the General Meeting of Shareholders has been obtained regarding the renewal of the Plan, the effective period is to be a maximum of approximately three years and the Plan may be abolished at anytime by a resolution by the Board of Directors; the Independent Committee composed of highly independent members including Outside Directors has been established and the Plan must never be triggered without a decision of the Independent Committee; reasonable and objective requirements regarding the triggering are established; the Independent Committee may at the cost of the Company obtain advice from independent third party specialists; the Board of Directors shall, under certain circumstances, confirm the intent of the shareholders at the Shareholders Meeting regarding the need to trigger the Plan; and the Plan is not a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped (dead-hand type), or a takeover defense measure in which it takes long time to replace a majority of the members of the Board of Directors due to a staggered board of directors system (slow-hand type). Accordingly, the purpose of the Plan is not to maintain the position of the Company's Directors and Audit & Supervisory Board Members, but to contribute to the corporate value of the Company and, in turn,

the common interests of its shareholders.

Consolidated Statement of Financial Position

(As of November 30, 2015)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**67,888,773**	**Current liabilities**	**13,819,195**
Cash and cash equivalents	18,791,081	Trade and other payables	2,734,006
Trade and other receivables	2,914,639	Borrowings	9,492,795
Inventories	46,156,041	Current income tax liabilities	1,150,089
Other current assets	27,010	Provisions	442,303
Non-current assets	**25,307,278**	**Non-current liabilities**	**43,148,478**
Property, plant and equipment	3,315,747	Trade and other payables	3,510,413
Investment properties	18,785,986	Borrowings	39,175,846
Intangible assets	96,648	Retirement benefits obligations	383,312
Available-for-sale financial assets	1,225,047	Provisions	78,905
Trade and other receivables	1,098,687	**Total liabilities**	**56,967,673**
Deferred tax assets	781,146	**Equity**	
Other non-current assets	4,014	**Equity attributable to owners of the parent**	**36,228,378**
		Share capital	6,421,392
		Capital reserves	6,373,881
		Retained earnings	23,327,875
		Other components of equity	105,228
		Total equity	**36,228,378**
Total assets	**93,196,052**	**Total liabilities and equity**	**93,196,052**

Consolidated Statement of Comprehensive Income

(From December 1, 2014 to November 30, 2015)

(¥ thousand)

Item	Amount
Revenue	**43,006,964**
Cost of revenue	**31,091,794**
Gross profit	**11,915,169**
Selling, general and administrative expenses	5,099,064
Other income	126,357
Other expenses	50,499
Operating profit	**6,891,963**
Finance income	22,840
Finance costs	874,493
Profit before tax	**6,040,311**
Income tax expense	1,904,494
Profit for the year	**4,135,816**
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Remeasurements of defined benefit pension plans	(5,006)
Total items that will not be reclassified to net profit or loss	(5,006)
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	(14,420)
Net change in fair values of available-for-sale financial assets	(28,020)
Net change in fair values of cash flow hedges	(6,982)
Total items that may be reclassified to net profit or loss	(49,423)
Other comprehensive income for the year, net of tax	**(54,430)**
Total comprehensive income for the year	**4,081,386**
Profit attributable to:	
Owners of the parent	4,135,816
Total comprehensive income attributable to:	
Owners of the parent	4,081,386

Consolidated Statement of Changes in Equity

(From December 1, 2014 to November 30, 2015)

(¥ thousand)

	Equity attributable to owners of the parent				Total equity
	Share capital	Capital reserves	Retained earnings	Other components of equity	
Balance as of December 1, 2014	6,421,392	6,375,317	19,776,474	154,652	32,727,836
Comprehensive income for the year					
Profit for the year	–	–	4,135,816	–	4,135,816
Other comprehensive income	–	–	–	(54,430)	(54,430)
Total comprehensive income for the year	–	–	4,135,816	(54,430)	4,081,386
Amount of transactions with owners					
Dividends from surplus	–	–	(579,408)	–	(579,408)
Share-based payment transaction	–	(1,435)	–	–	(1,435)
Transfer from other components of equity to retained earnings	–	–	(5,006)	5,006	–
Total amount of transactions with owners	–	(1,435)	(584,414)	5,006	(580,843)
Balance as of November 30, 2015	6,421,392	6,373,881	23,327,875	105,228	36,228,378

Notes to Consolidated Financial Statements

1. Significant matters in preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

Pursuant to the provisions of Article 120, paragraph 1 of the Ordinance on Accounting of Companies, consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS). In accordance with the provision of the latter part of the same paragraph, some disclosure items required under IFRS are omitted in the consolidated financial statements.

(2) Scope of consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 6
- Names of consolidated subsidiaries: Tosei Community Co., Ltd.
  Tosei Asset Advisors, Inc.
  Tosei Singapore Pte. Ltd.
  NAI Tosei Japan, Inc.
  Tosei Revival Investment Co., Ltd.
  Crystal Sports Club

2) Change in scope of consolidation

Hestia Capital Limited Company, which had been a consolidated subsidiary of the Company until the previous fiscal year, was excluded from the scope of consolidation, since it was merged by absorption-type merger with Tosei Revival Investment Co., Ltd. on June 1, 2015.

3) Name and others of unconsolidated subsidiary

- Name of unconsolidated subsidiary: Pegasus Capital LLC
- Reason for exclusion from scope of consolidation: The unconsolidated subsidiary is small, and total assets, revenue, profit or loss for the period, retained earnings and others have no significant impact on the consolidated financial statements.

(3) Application of equity method

There are no subsidiaries and affiliates to be accounted for by the equity method.

(4) Fiscal year-end of consolidated subsidiaries

Among consolidated subsidiaries, Crystal Sports Club closes its fiscal year on March 31. For this consolidated subsidiary, its tentative financial statements prepared as of November 30 are used in preparing consolidated financial statements. The fiscal year-end of other consolidated subsidiaries is the same as the Group’s fiscal year-end.

(5) Accounting policies

1) Valuation basis and methods for financial assets

The Group classifies investments in financial assets in two categories: loans and receivables, and available-for-sale financial assets. This classification is made according to the nature of assets and for what purpose the assets were acquired. The classification of investments is determined on initial recognition, and whether the classification is appropriate is reassessed at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category are recorded as current assets, except for those with maturities of greater than 12 months after the reporting date or exceeding the normal operating cycle. Loans and receivables are included in “Trade and other receivables” in the consolidated statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in other categories. Available-for-sale financial assets are recorded as non-current assets unless the management has an intention to dispose of the investment within 12 months from the reporting date. Available-for-sale financial assets are initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

Purchase and sale of a financial asset are recognized at the transaction date, which is the date on which the Group commits itself to purchase or sell the asset. A financial asset is derecognized when the rights to receive cash flows from the asset are extinguished or transferred, and the Group has substantially transferred all the risks and economic value incidental to ownership of the asset. After initial recognition, available-for-sale financial assets are recognized at fair value. Loans and receivables are recognized at amortized cost using the effective interest method. Financial assets or financial asset groups are assessed on a quarterly basis whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized. Unrealized gains or losses attributable to changes in the fair value of available-for-sale financial assets are recognized in changes in the fair value of available-for-sale financial assets. When available-for-sale financial assets are sold or impaired, cumulative changes in the fair value of available-for-sale financial assets are recognized in profit or loss.

The fair value of listed securities is measured at quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group calculates fair value using certain valuation techniques, in particular, which include recent cases of arm’s length transactions, references to prices of other financial instruments that are substantially equivalent, the discounted cash flow method, and others.

The Group assesses financial assets or financial asset groups at each reporting date whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized.

For equity instruments classified as available-for-sale financial assets, the possibility that the cost of investment is not recoverable and whether there is a significant or long-term decrease of fair value, which are included in information on significant changes that have adverse effects arising in the business environment where an issuer runs its business, are also taken into account in assessing whether there is any objective evidence for impairment. When there is objective evidence of impairment for available-for-sale financial assets, losses, which are measured as the difference between the acquisition cost and the fair value at the reporting date less impairment losses of the financial assets that were previously recognized in profit or loss, are transferred to profit or loss.

2) Valuation basis and methods for inventories

Inventories are assessed at cost or, if lower, at net realizable value. Net realizable value is calculated by deducting costs to sell from the estimated selling price.

The cost of inventories is comprised of purchase prices, development expenses, borrowing costs and separately identified expenditure including other related expenditure.

Borrowing costs for borrowings for developed real estate are capitalized as part of cost of the developed real estate over the period up to the end of the development, based on the specific identification method.

3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

The Group applies the cost model in measurement of property, plant and equipment.

Property, plant and equipment are measured at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, and costs of

dismantling and removing the assets and restoring the site on which they are located, and borrowing costs directly attributable to acquisition, construction or production of qualifying assets.

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Costs of the day-to-day servicing of property, plant and expenditure are recognized in profit or loss when incurred.

Depreciation of assets except for land and construction in progress is principally computed under the straight-line method over the following estimated useful lives. The declining balance method is applied, if depreciation based on the declining balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, furniture and fixtures	3 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and changed if necessary.

(ii) Investment properties

Investment properties are properties held to earn rentals or for capital gain or both, and do not include properties for sale in the ordinary course of business or used for administrative purposes.

The Group applies the cost model in measurement of investment properties.

Investment properties are initially recognized at cost, and subsequently presented at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives. The declining balance method is applied, if depreciation based on the declining balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, fixtures and fittings	3 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and changed if necessary.

(iii) Intangible assets

The Group applies the cost model in measurement of intangible assets. An intangible asset is carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures on intangible assets that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Other expenditures are recognized in profit or loss when incurred.

•Software

Acquired software is initially recognized at cost including purchase consideration (net of discounts and rebates) and expenditures directly attributable to the preparation for the asset for the intended use.

After the acquisition, software is amortized under the straight-line method over its estimated useful life. The estimated useful life and amortization method are reviewed in each fiscal year, and changed if necessary.

(iv) Leased assets

Leases are classified as finance leases when all the risks and economic value incidental to ownership of an asset in a lease arrangement are substantially transferred to the lessee. All leases other than finance leases are classified as operating leases.

The Group's assets under finance leases are tools, furniture and fixtures and are capitalized at amounts equal to the fair value of leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated on a straight-line basis over the estimated useful lives or, if shorter, the lease terms.

4) Recognition of significant provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events; it is probable that outflows of economic benefits will be required to settle the obligations; and reliable estimates can be made of the amount of obligations.

5) Employment benefits

(i) Defined benefit pension plans

Liabilities associated with defined benefit pension plans are calculated by discounting the estimated amount of future benefits obtained in return for services that employees rendered in prior years or the fiscal year under review to the present value. The yield of gilt-edged corporate bonds of which the maturity largely matches that of the Group's debts is used as the discount rate. These liabilities are calculated by actuaries using the projected unit credit method. Remeasurement amounts arising from defined benefit pension plans are recognized as other comprehensive income and the amounts are transferred to retained earnings.

(ii) Defined contribution pension plans

Defined contribution pension plans are post-employment benefit plans in which an employer pays fixed contributions to a separate entity and will have no obligation to pay further contributions.

Contributions associated with defined-contribution pension plans are recognized in profit or loss in the period during which employees render services.

(iii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as profit or loss when the related service is rendered.

Bonus accrual and paid absences are recognized as liabilities, when the Group has present legal or constructive obligations to pay, and when a reliable estimate of the amount of obligations can be made.

6) Significant hedge accounting method

Derivatives are initially recognized at fair value on the day when the derivative contract is entered into, and subsequently remeasured at fair value at each reporting date.

The Group has concluded interest rate swap contracts in order to hedge changes in future cash flows associated with floating-rate borrowings. At the inception of the hedge, concluded derivatives are designated as cash flow hedge and documented.

The Group also assesses whether a derivative used in the hedge transaction is highly effective in offsetting fair value of the hedged item or changes in cash flows, at the inception of the hedge or on an ongoing basis.

Changes in fair value of derivative transactions that are designated as cash flow hedge and qualify for cash flow hedge are recognized in equity through other comprehensive income. Of changes in fair value of derivative transactions, ineffective portion is immediately recognized in profit or loss.

7) Foreign currency translation methods

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each entity in the Group using the exchange rates at the date of the transactions. Assets and liabilities denominated in foreign currencies to be remeasured at the end of each reporting period are retranslated into the functional currencies using the exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement of such transactions, and exchange differences arising on translating foreign currency-denominated monetary assets and liabilities using the exchange rates at the end of the reporting period, are recognized in profit or loss. However, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the foregoing exchange differences are also recognized in other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period. However, if such an average exchange rate is not considered as a reasonable approximation of the cumulative effect of the exchange rates at the transaction dates, the exchange rates at the transaction dates are used.

Exchange differences arising on translating financial statements of foreign operations are recognized in other comprehensive income. On the disposal of the interest in a foreign operation involving loss of control or significant influence, the cumulative amount of the exchange differences in connection with the foreign operation is recognized in profit or loss in the period during which the interest is disposed of.

8) Other significant matters for preparing consolidated financial statements

Accounting for consumption taxes

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

(6) Changes in accounting policies

The Group applied IFRIC 21 “Levies,” IFRS 10 (Revised) “Consolidated Financial Statements” and IFRS 12 (Revised) “Disclosure of Interests in Other Entities” which became mandatory effective from the fiscal year under review. The impact of these standards on the consolidated financial statements is immaterial.

(7) Additional information

(Abolition of Retirement Benefits Plan for Officers)

At the Ordinary General Meeting of Shareholders held on February 25, 2015, the Company resolved to make final payments of retirement benefits to retiring officers upon abolition of its Retirement Benefits Plan for Officers.

Accordingly, the full amount of the Company’s “Provision for directors’ retirement benefits” has been reversed and an unpaid portion of ¥360,711 thousand in final payments has been presented included in “Trade and other payables” in non-current liabilities.

2. Notes to consolidated statement of financial position

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Cash and cash equivalents	690,000
Inventories	41,585,649
Property, plant and equipment	3,216,552
Investment properties	17,703,593
Total	63,195,796
Amount of securitized obligation	
Borrowings	47,664,665

(2) Allowance for credit losses deducted directly from assets ¥27,174 thousand

(3) Accumulated depreciation on assets

	(¥ thousand)
Property, plant and equipment	316,836
Investment properties	1,167,895

(4) Change in holding purpose of assets

Leasehold property of ¥463,536 thousand previously held as investment properties was transferred to inventories due to the change in business policy.

Leasehold property of ¥4,788,746 thousand previously held as inventories was transferred to investment properties due to the change in business policy.

3. Notes to consolidated statement of changes in equity

(1) Class and total number of shares issued

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	48,284,000	–	–	48,284,000

(2) Dividends from surplus

1) Cash dividends paid, etc.

Matters regarding dividends based on the resolution of the 65th Ordinary General Meeting of Shareholders held on February 25, 2015.

- Total dividends ¥579,408 thousand
- Dividends per share ¥12
- Record date November 30, 2014
- Effective date February 26, 2015

2) Dividends whose record date is in the fiscal year under review and effective date is after the end of the fiscal year under review

A proposal will be submitted as follows at the 66th Ordinary General Meeting of Shareholders to be held on February 25, 2016.

- Total dividends ¥772,544 thousand
- Dividends per share ¥16
- Dividend resources Retained earnings
- Record date November 30, 2015
- Effective date February 26, 2016

4. Notes on financial instruments

(1) Status of financial instruments

The Group procures necessary funds for purchasing properties that are products for sale mainly in the Revitalization Business and the Development Business through bank loans. Funds are invested in highly secure financial assets (such as deposits). The Group hedges interest rate fluctuation risk on some of borrowings by using interest rate swap transactions. The Group uses derivative transactions not for speculative purposes, but for hedging risks of fluctuations in interest rates on borrowings.

Trade and other receivables are exposed to credit risks of customers. With respect to these risks, the due dates and outstanding balances are managed for each business partner. Past due receivables are periodically reported to the management meeting and individually monitored and responded to.

Available-for-sale financial assets are exposed to market fluctuation risk. For this risk, the market values are periodically monitored and reported to the management meeting.

With respect to trade and other payables, the majority of them are due within a year.

Borrowings are to finance the purchase of properties that are products for sale mainly in the Revitalization Business and the Development Business. Most of them are with floating interest rates and are exposed to interest rate fluctuation risk. For this risk, the Group periodically makes a list of interests on loans for each financial institution and monitors the fluctuations of interests on loans.

For some of borrowings, the Group uses derivative transactions (interest rate swaps) in order to hedge the interest rate fluctuation risk and fix interest expenses. The effectiveness of hedges is assessed based on fluctuations in interest rates and others of hedged items and hedging instruments by comparing cumulative changes in fair value of hedged items and hedging instruments.

Borrowings, which are extended by financial institutions, are exposed to the liquidity risks stemming from changes in attitudes of such financial institutions toward transactions with the Group. For these risks, the Group appropriately monitors information on fund demand of the Group and cash flow situation, strengthens relations with financial institutions with which we do business as needed, and also makes efforts to diversify financing methods.

(2) Fair values of financial instruments

The carrying amounts in consolidated statement of financial position and the fair values, and differences thereof as of November 30, 2015 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
(1) Cash and cash equivalents	18,791,081	18,791,081	–
(2) Trade and other receivables	4,013,327	4,013,327	–
(3) Available-for-sale financial assets	1,225,047	1,225,047	–
(4) Trade and other payables	6,244,419	6,244,419	–
(5) Borrowings	48,668,642	48,696,153	27,511

Method for measuring fair value of financial instruments

1) Cash and cash equivalents, trade and other receivables, trade and other payables, and current borrowings

The book values of these financial instruments that are settled in a short period of time approximate the fair values. However, the fair values of interest rate swaps are based on market values presented by financial institutions.

2) Available-for-sale financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group determines fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and the discounted cash flow method. Securities that do not have a quoted price in an active market and of which the fair value cannot be reliably determined are measured based on the acquisition cost.

3) Non-current borrowings

The fair values of non-current loans payable with floating interest rates approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rates are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing.

5. Notes on investment properties

(1) Status of investment properties

The Company and certain consolidated subsidiaries own rental office and condominium buildings mainly in Tokyo to earn rental revenue. Net rental revenue from these investment and rental properties during the fiscal year ended November 30, 2015 totaled ¥1,162,871 thousand (rental revenue and rental expense were recorded as revenue and cost of revenue, respectively).

(2) Fair value of investment properties

The following table shows the carrying amount in the consolidated statement of financial position and the fair value of investment properties as of the end of the fiscal year under review.

(¥ thousand)

	Carrying amount in consolidated statement of financial position			Fair value at end of the fiscal year
	Balance at beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at end of the fiscal year	
Investment properties	13,858,329	4,927,657	18,785,986	28,976,118

(Notes) 1. The carrying amount in consolidated statement of financial position shown above indicates cost less any accumulated depreciation and accumulated impairment losses.
2. During the fiscal year ended November 30, 2015, the increase mostly stemmed from the transfer from inventories due to change of holding purpose (¥4,788,746 thousand) and new acquisition (¥679,210 thousand), while the decrease stemmed from the transfer to inventories due to change of holding purpose (¥463,536 thousand).
3. The fair value as of November 30, 2015 was internally calculated in accordance with the Real Estate Appraisal Standards.

6. Per share information

(1) Equity attributable to owners of the parent per share	¥750.32
(2) Basic earnings per share	¥85.66

7. Significant subsequent events

Not applicable.

8. Other

All amounts in this report are rounded down to the nearest thousand yen, unless otherwise noted.

Non-Consolidated Balance Sheet

(As of November 30, 2015)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**64,053,789**	**Current liabilities**	**12,185,423**
Cash and deposits	16,519,614	Accounts payable-trade	427,343
Accounts receivable-trade	47,089	Current portion of long-term loans payable	8,944,043
Real estate for sale	35,377,728		
Real estate for sale in process	9,416,577	Lease obligations	1,335
Supplies	2,886	Accounts payable-other	338,181
Short-term loans receivable from subsidiaries and affiliates	240,000	Accrued expenses	44,487
		Income taxes payable	934,252
Accounts receivable-other	1,550,284	Advances received	1,170,304
Advance payments-trade	268,332	Deposits received	34,296
Prepaid expenses	358,014	Provision for bonuses	149,930
Deferred tax assets	198,367	Provision for loss on rental business	141,248
Other	75,804	**Non-current liabilities**	**41,407,558**
Allowance for credit losses	(909)	Long-term loans payable	37,727,751
Non-current assets	**24,017,506**	Guarantee deposits	3,043,359
Property, plant and equipment	**20,329,508**	Asset retirement obligations	18,905
Buildings	6,165,762	Provision for retirement benefits	243,652
Structures	6,151	Long-term accounts payable-other for directors	360,711
Machinery and equipment	40	Derivative liabilities	13,180
Vehicles	10,839	**Total liabilities**	**53,592,981**
Tools, furniture and fixtures	26,942	**Net assets**	
Land	14,118,502	**Shareholders' equity**	**34,395,664**
Lease assets	1,271	**Capital stock**	**6,421,392**
Intangible assets	**40,522**	**Capital surplus**	**6,504,868**
Software	38,633	Legal capital surplus	6,504,868
Telephone subscription right	1,889	**Retained earnings**	**21,469,404**
Investments and other assets	**3,647,475**	Legal retained earnings	7,250
Investment securities	1,197,357	Other retained earnings	21,462,154
Stocks of subsidiaries and affiliates	1,123,160	General reserve	15,000
Investments in capital	4,100	Retained earnings brought forward	21,447,154
Long-term loans receivable	3,143	**Valuation and translation adjustments**	**82,053**
Long-term accounts receivable-other	11,259	**Valuation difference on available-for-sale securities**	**90,981**
Claims provable in bankruptcy, claims provable in rehabilitation and other	59,089	**Deferred gains (losses) on hedges**	**(8,928)**
Lease and guarantee deposits	1,052,734	**Stock acquisition rights**	**596**
Deferred tax assets	251,725		
Other	4,014		
Allowance for credit losses	(59,108)	**Total net assets**	**34,478,314**
Total assets	**88,071,296**	**Total liabilities and net assets**	**88,071,296**

Non-Consolidated Statement of Operations

(From December 1, 2014 to November 30, 2015)

(¥ thousand)

Item	Amount	
Net sales		**37,242,841**
Cost of sales		**27,869,478**
Gross profit		**9,373,362**
Selling, general and administrative expenses		3,424,943
Operating income		**5,948,418**
Non-operating income		
Interest income	9,980	
Dividends income	418,808	
Miscellaneous income	23,888	452,677
Non-operating expenses		
Interest expenses	840,296	
Foreign exchange losses	4,458	
Miscellaneous loss	3,223	847,977
Ordinary income		**5,553,118**
Extraordinary loss		
Loss on retirement of non-current assets	1,913	1,913
Income before income taxes		**5,551,204**
Income taxes-current	1,857,205	
Income taxes-deferred	(212,733)	1,644,472
Net income		**3,906,732**

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2014 to November 30, 2015)

(¥ thousand)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Total share-holders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings	
					General reserve	Retained earnings brought forward		
Balance at the beginning of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	18,119,830	18,142,080	31,068,340
Changes of items during the year								
Dividends from surplus						(579,408)	(579,408)	(579,408)
Net income						3,906,732	3,906,732	3,906,732
Net changes of items other than shareholders' equity								
Total changes of items during the year	–	–	–	–	–	3,327,324	3,327,324	3,327,324
Balance at the end of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	21,447,154	21,469,404	34,395,664

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	63,330	–	63,330	–	31,131,670
Changes of items during the year					
Dividends from surplus					(579,408)
Net income					3,906,732
Net changes of items other than shareholders' equity	27,651	(8,928)	18,723	596	19,319
Total changes of items during the year	27,651	(8,928)	18,723	596	3,346,643
Balance at the end of the year	90,981	(8,928)	82,053	596	34,478,314

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and methods for assets

1) Valuation basis and methods for securities

Stocks of subsidiaries	Stated at cost determined by the moving-average method
Available-for-sale securities	
• With market value	Stated at fair value based on market value and others as of the balance sheet date (unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method).
• Without market value	Stated at cost determined by the moving-average method

2) Valuation basis and method for Derivatives

Derivatives	Stated at fair value

3) Valuation basis and methods for inventories

The cost method (the carrying amounts in the non-consolidated balance sheet are written down due to a decline in profitability of assets) is used as the valuation basis.

• Real estate for sale	Specific identification method
• Real estate for sale in process	Specific identification method
• Supplies	Last purchase price method

(2) Depreciation methods for non-current assets

1) Property, plant and equipment (excluding lease assets)	The straight-line method is applied. For certain assets, the declining balance method is applied.
2) Intangible assets (excluding lease assets)	
• Internal use software	Amortized by the straight-line method over the estimated useful life.
3) Lease assets	Lease assets are depreciated by the straight-line method over the lease term with no residual value.

(3) Recognition of allowances

1) Allowance for credit losses	To cover losses from bad debts, allowance for credit losses is provided in the amount expected to be uncollectible based on historical experience of bad debts for general receivables and individual collectability for specific receivables such as doubtful receivables.
2) Provision for bonuses	To cover bonus payments to employees, provision for bonuses is provided in the amount for the fiscal year based on the estimated amount of payment.
3) Provision for retirement benefits	To cover retirement benefits to employees, the amount that would be required to pay if all eligible employees retired at the fiscal year-end is provided based on the estimated amount of retirement benefit obligations as of the fiscal year-end.

	In calculating retirement benefit obligations, the portion of expected benefits attributed to the periods up to the fiscal year-end is determined using the benefit formula basis. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.
4) Provision for directors' retirement benefits	Provision for directors' retirement benefits is provided in the amount required as of the fiscal year-end to cover retirement benefit payments to directors and Audit & Supervisory Board Members according to the rule for retirement benefits to directors and Audit & Supervisory Board Members as of the fiscal year-end. (Additional information) (Abolition of Retirement Benefits Plan for Officers) At the Ordinary General Meeting of Shareholders held on February 25, 2015, the Company resolved to make final payments of retirement benefits to retiring officers upon abolition of its Retirement Benefits Plan for Officers. Accordingly, the full amount of the Company's "Provision for directors' retirement benefits" has been reversed and an unpaid portion of ¥360,711 thousand in final payments has been recognized in "Long-term accounts payable-other for directors" in non-current liabilities.
5) Provision for loss on rental business	To cover losses from sublease contracts, etc., provision for loss on rental business is provided in the amount of total rent and other payment obligations less expected total rental revenue, etc. from subleases.

(4) Other significant matters for preparing financial statements

1) Accounting for consumption taxes	Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
2) Translation of assets and liabilities denominated in foreign currencies into Japanese currency	Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and differences arising from such translation are recognized in the non-consolidated statement of operations.
3) Accounting for hedges	Deferral hedge accounting is applied.

2. Notes on changes in accounting policies

Application of the Accounting Standard for Retirement Benefits, etc.

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), effective from the fiscal year under review, the Company has applied the provisions of the main clauses of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from the pro-rata basis (proportion to the multiplier of salary) to the benefit formula basis.
These changes had no effect on the beginning balance of retained earnings and profits and loss.

3. Notes to non-consolidated balance sheet

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Cash and deposits	690,000
Real estate for sale	31,432,164
Real estate for sale in process	9,156,247
Buildings	5,960,646
Land	13,244,263
Total	60,483,322
Amounts of securitized obligation	
Current portion of long-term loans payable	8,898,043
Long-term loans payable	36,782,751
Total	45,680,795

(2) Accumulated depreciation on property, plant and equipment ¥1,334,954 thousand

(3) Contingent liabilities

The Company guarantees the borrowings of the following associated companies from financial institutions as follows:

Tosei Revival Investment Co., Ltd.	¥1,163,000 thousand
Tosei Community Co., Ltd.	¥82,578 thousand

(4) Monetary receivables from and payables to subsidiaries and affiliates

	(¥ thousand)
1) Short-term monetary receivables	7,315
2) Long-term monetary receivables	61,259
3) Short-term monetary payables	19,682
4) Long-term monetary payables	37,503

(5) Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment of ¥464,114 thousand was transferred to real estate for sale due to the change in business policy.

Leasehold property previously held as real estate for sale of ¥4,789,961 thousand was transferred to property, plant and equipment due to the change in business policy.

(6) Securities lent

Investment securities include securities lent of ¥353,400 thousand.

4. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

	(¥ thousand)
1) Sales	150,370
2) Purchase amount	363,321
3) Other business turnover	30,807
4) Transaction volume other than business turnover	413,660

(2) The inventory balance at the end of the fiscal year is presented after book values were written down due to a decline in profitability of assets and the following loss on valuation of inventories are included in cost of sales.

¥43,829 thousand

5. Notes to non-consolidated statement of changes in net assets

Not applicable.

6. Notes on tax effect accounting

Significant components of deferred tax assets and liabilities

	(¥ thousand)
Deferred tax assets	
Current assets	
Accrued enterprise taxes, currently not deductible	83,664
Provision for bonuses	53,617
Provision for loss on rental business	46,696
Other	14,389
Total	198,367
Non-current assets	
Excess amount over limitation of taxable provision for retirement benefits	78,602
Long-term accounts payable-other for directors	116,365
Loss on valuation of stocks of subsidiaries and affiliates	22,581
Impairment loss	50,650
Other	26,853
Total	295,054
Total deferred tax assets	493,421
Deferred tax liabilities	
Non-current liabilities	
Valuation difference on available-for-sale securities	(43,328)
Total	(43,328)
Total deferred tax liabilities	(43,328)
Net deferred tax assets	450,093

7. Notes on transactions with related parties

(1) Subsidiaries and affiliates

Attribute	Name	Percentage of voting rights (%)	Business relationship	Transaction	Trading amount (¥ thousand)	Account title	Balance at the end of the fiscal year (¥ thousand)
Subsidiary	Tosei Revival Investment Co., Ltd.	100%, owning, directly	Concurrent positions held by officers	Debt guarantee	1,163,000	–	–

(Note) The Company provides debt guarantees on their loans from financial institutions. The Company does not receive guarantee fees.

8. Per share information

(1) Net assets per share ¥714.06

(2) Net income per share ¥80.91

9. Significant subsequent events

Not applicable.

10. Other

All amounts in this report are rounded down to the nearest thousand yen, unless otherwise noted.

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Audit Report

January 15, 2016

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Kazuma Shinohara (Seal)

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Tosei Corporation for the fiscal year from December 1, 2014 to November 30, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the latter part of Article 120, paragraph 1 of the Ordinance on Accounting of Companies, which permits companies to omit some disclosure items required under IFRS in preparing consolidated financial statements, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are

appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above, which were prepared with some disclosure items required under IFRS omitted pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies, present fairly, in all material respects, the financial position and results of operations of Tosei Corporation and consolidated subsidiaries for the period covered by these consolidated financial statements.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Note: The English version of the consolidated financial statements consists of an English translation of the audited Japanese consolidated financial statements and is not covered by our audit. Consequently, the auditor’s report attached to the English consolidated financial statements is a translation of the Japanese original.

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Audit Report

January 15, 2016

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Kazuma Shinohara (Seal)

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the balance sheet, the related statements of operations and changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules of Tosei Corporation for the 66th term from December 1, 2014 to November 30, 2015.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations for the period covered by these non-consolidated financial statements and the supplementary schedules in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Note: The English version of the non-consolidated financial statements consists of an English translation of the audited Japanese non-consolidated financial statements and is not covered by our audit. Consequently, the auditor’s report attached to the English non-consolidated financial statements is a translation of the Japanese original.

Audit Report by Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 66th term (from December 1, 2014 to November 30, 2015), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established the audit policies, audit plan, etc. and received a report from each Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the directors, etc. and the accounting auditor regarding the status of performance of their duties, and requested explanations as necessary.

(2) In conformity with the Audit & Supervisory Board Member Auditing Regulations established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plan, etc., each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding with the Directors, the Internal Auditing Department and other employees, etc., endeavored to collect information and maintain and improve the audit environment, and conducted the audit by the following methods.

i) Each Audit & Supervisory Board Member has attended the meetings of the Board of Directors, management meetings and other important meetings, received reports on the status of performance of duties from the Directors and employees, etc. and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at each department in the head office. With respect to the subsidiaries, each Audit & Supervisory Board Member endeavored to facilitate a mutual understanding and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.

ii) Also, each Audit & Supervisory Board Member regularly received reports from the Directors and employees, etc. requested explanations as necessary, and expressed an opinion on the status of establishment and operation regarding (i) the contents of the Board of Directors' resolutions regarding the improvement and maintenance of the systems to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation of the Company as is described in the business report as well as other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary for ensuring the properness of operations of a stock company (*kabushiki kaisha*) and consolidated subsidiaries, and (ii) the systems (internal control systems) improved and maintained based on such resolutions.

iii) The contents of the basic policies set forth in Article 118, item 3-(a) of the Ordinance for Enforcement of the Companies Act and measures set forth in item 3-(b) of said article, as described in the business report, were also considered in light of the status, etc. of deliberations by the Board of Directors and other bodies.

iv) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor

that it had established a “system to ensure that the performance of duties was properly conducted” (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and the supplementary schedules, the non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets, and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, which were prepared with some disclosure items required under IFRS omitted pursuant to the provisions of the latter part of Article 120, paragraph 1 of the Ordinance on Accounting of Companies), for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

i) We acknowledge that the business report and the supplementary schedules fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.

ii) We acknowledge that no dishonest act or material fact constituting a breach of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors’ performance of their duties.

iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be indicated with respect to the contents of the business report and the Directors’ performance of their duties concerning the internal control systems.

iv) We did not find any matter to be indicated with respect to the basic policies, described in the business report, regarding those who rule on the company’s determination of its financial and business policies. Measures, described in the business report, set forth in Article 118, item 3-(b) of the Ordinance for Enforcement of the Companies Act of Japan are in line with the basic policies, do not impair the common interests of the Company’s shareholders, and are not directed to the purpose of maintaining the status of the Company’s officers.

(2) Results of Audit of Non-consolidated Financial Statements and the Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Shinsoh Audit Corporation, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Shinsoh Audit Corporation, are appropriate.

January 20, 2016

Audit & Supervisory Board of Tosei Corporation

Audit & Supervisory Board Member (full-time)
(Outside Audit & Supervisory Board Member):

Yasuhiro Honda (Seal)

Audit & Supervisory Board Member (full-time)
(Outside Audit & Supervisory Board Member):

Yutaka Kitamura (Seal)

Audit & Supervisory Board Member (full-time)
(Outside Audit & Supervisory Board Member):

Hiroshi Nishinakama (Seal)

Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member):

Tatsuki Nagano (Seal)

Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member):

Osamu Doi (Seal)

Note: The English version of the consolidated and non-consolidated financial statements consists of an English translation of the audited Japanese consolidated and non-consolidated financial statements and is not covered by our audit. Consequently, the auditor’s report attached to the English consolidated and non-consolidated financial statements is a translation of the Japanese original.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as shown below:

Year-end dividend

Taking into account such factors as our operating results for the fiscal year under review and our future business development, the Company proposes the year-end dividend for the 66th term as shown below.

1. Type of dividend property: Money
2. Dividend property allotment and total amount thereof

Dividends per ordinary share of the Company:	¥16
Total amount of dividends:	¥772,544,000

3. Effective date of dividends from surplus: February 26, 2016

Proposal 2: Election of Five (5) Directors

The terms of office of all five (5) Directors will expire at the conclusion of the Meeting. Accordingly, we propose the election of five (5) Directors.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares owned
1	Seiichiro Yamaguchi (Jan. 5, 1961)	Apr. 1983 Entered Mitsui Real Estate Sales Co., Ltd. Apr. 1986 Entered Tosei-Shoji Corporation Aug. 1990 Director of the Company Jun. 1994 President and Representative Director of the Company (current position) Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.) Jul. 2004 President and CEO of the Company (current position)	12,885,500
2	Katsuhito Kosuge (Jul. 17, 1960)	Apr. 1983 Entered Tokyu Construction Co., Ltd. Apr. 1986 Entered Tosei-Shoji Corporation Jan. 1996 Director of the Company Dec. 2000 Managing Director of the Company Jul. 2004 Managing Executive Officer of the Company Sep. 2005 Representative Director of Tosei Revival Investment Co., Ltd. Feb. 2006 COO and Senior Executive Officer of Business Division of the Company (current position) Oct. 2007 Representative Director of Tosei Asset Management, Corp. Apr. 2008 Director of Tosei Asset Advisors, Inc. Feb. 2012 Director of Tosei Asset Advisors, Inc. (current position)	200,000
3	Noboru Hirano (Oct. 17, 1959)	Apr. 1982 Entered Kokubu & Co., Ltd. Apr. 1991 Entered Tosei-Shoji Corporation May 1995 Director of Tosei-Shoji Corporation Mar. 2001 General Manager of Finance and Accounting Department of the Company Oct. 2002 Managing Director of the Company Jul. 2004 Managing Executive Officer of the Company Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co., Ltd. Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company (current position) Dec. 2007 Representative Director of Tosei Revival Investment Co., Ltd. Jan. 2013 Director of Tosei Revival Investment Co., Ltd. (current position) Feb. 2013 Director of Tosei Community Co., Ltd. (current position)	150,000

No.	Name (Date of birth)	Career summary and position and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares owned
4	Goro Kamino (Aug. 29, 1960)	Apr. 1983 Entered Mitsui Trust and Banking Company, Limited (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Aug. 1990 Entered Chubu Gas Co., Ltd. May 1995 Entered Gastec Service, Inc. and appointed as Corporate Planning Department Chief Dec. 1995 Director of Toyohashi Cable Network Inc. (current position) Aug. 2000 President CEO of Gastec Service, Inc. (current position) May 2002 President and representative director of Sala Corporation (current position) Jun. 2002 Director of System Location Co., Ltd. Jan. 2004 Director of Sala House Co., Ltd. (current position) Mar. 2006 Representative Director of Chubu Gas Co., Ltd. Feb. 2007 Chairperson of Sala Cars Japan Co., Ltd. (current position) Feb. 2007 Director of the Company (current position) Oct. 2009 Director of Japan Post Holdings Co., Ltd. Mar. 2012 President and Representative Director of Chubu Gas Co., Ltd. (current position) Jun. 2012 Director of Musashi Seimitsu Industry Co., Ltd. (current position) Jun. 2014 Director of Nippon Venture Capital Co., Ltd. (current position)	0
5	Kenichi Shohtoku (Jan. 20, 1971)	Oct. 1995 Entered Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Sep. 1999 Transferred to Arthur Andersen & Co., Kuala Lumpur Office Sep. 2002 Entered SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) (current position) Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD. Dec. 2010 Audit & Supervisory Board Member of ROKI TECHNO CO., LTD Feb. 2012 Director of the Company (current position) Jan. 2013 Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)	0

(Notes)
1. Each of the candidates for Directors has no special interests in the Company.
2. Goro Kamino and Kenichi Shohtoku are candidates for Outside Directors. The Company notified the Tokyo Stock Exchange of Goro Kamino and Kenichi Shohtoku as independent directors/auditors pursuant to the regulations of the said Exchange, and they will continue as independent directors/auditors if they are reelected as directors.
3. Reasons for the nomination of Goro Kamino and Kenichi Shohtoku as candidates for Outside Directors
   (1) Goro Kamino is nominated because he has extensive experience and a high level of insights as a management executive at listed companies, including gas companies of a highly public nature, and the Company believes that he can adequately supervise other directors and provide advice and recommendations to ensure the adequacy and appropriateness of the directors' decision-making.
   (2) Kenichi Shohtoku is nominated because he has extensive experience and expertise as a certified public accountant, including overseas service, and the Company believes that he can provide appropriate supervision of the Company's management from his objective standpoint as an accounting expert.
4. Candidates' years served as Outside Directors since appointment
   (1) Goro Kamino currently serves as Outside Director of the Company and he will have served as such for nine (9) years as of the conclusion of the Meeting.
   (2) Kenichi Shohtoku currently serves as Outside Director of the Company and he will have served as such for four (4) years as of the conclusion of the Meeting.
5. As Goro Kamino and Kenichi Shohtoku currently serve as Outside Directors of the Company, the Company has concluded contracts for limitation of liability with them pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits their liability to the amount provided by relevant laws and regulations. The Company intends to maintain the contracts with them if they are reelected as proposed.

Guide to Exercising Voting Rights via the Internet

If you exercise your voting rights via the Internet, please read and understand carefully the following matters.

If you intend to attend the Ordinary General Meeting of Shareholders, voting by postal mail (the Voting Form) or via the Internet is not necessary.

1. Voting website and exercising your voting rights

   (1) To exercise your voting rights via the Internet, please access the website designated by the Corporation (http://www.evote.jp/) via a PC, a smartphone or a mobile phone (i-mode, EZweb or Yahoo! Keitai)*. Only by accessing this website you can exercise your voting rights via the Internet. (Please be advised that the website is not operational from 2:00 a.m. to 5:00 a.m. in Japan Standard Time.)
   * i-mode, EZweb and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI Corporation and Yahoo, Inc. U.S., respectively.

   (2) Please be aware that, depending on your Internet connection and PC environment, you may not be able to use your PC or smartphone to exercise your voting rights via the voting website (e.g. if you connect to the Internet via a firewall, have anti-virus software installed or use a proxy server, etc.).

   (3) To exercise your voting rights via a mobile phone, please use one of the following services: i-mode, EZweb or Yahoo! Keitai. For security reasons, the website is only compatible with mobile phones capable of SSL (encrypted) communication and transmission of mobile phone information.

   (4) Voting via the Internet is accepted until 6:00 p.m. on Wednesday, February 24, 2016 in Japan Standard Time. However, we respectfully request that you exercise your voting rights at your earliest convenience. If you have any questions, please contact the help desk.

2. Exercising your voting rights via the Internet

   (1) On the aforementioned voting website, you will be required to input the “Code for Exercise of Voting Rights” and the temporary password assigned to you. These are shown on the enclosed Voting Form. Please follow the instructions on the screen and indicate your vote for or against each proposal.

   (2) Please be aware that, in order to prevent illegal online access (spoofing) and alteration of voting by non-shareholders, you will be requested to change your temporary password on the aforementioned voting website.

   (3) You will be notified of a new “Code for Exercise of Voting Rights” and the temporary password every time a General Meeting of Shareholders is convened.

3. Handling of voting rights when they are exercised more than once

   (1) Please note that your voting via the Internet shall prevail, if you exercise your voting rights both by postal mail and via the Internet.

   (2) If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective. In addition, if you exercise your voting rights more than once using a PC, a smartphone and a mobile phone, only the last vote shall be deemed effective.

4. Fees incurred when accessing the voting rights website

   Any fees (connection fees to Internet providers, etc.) incurred when accessing the voting website shall be borne by shareholders. Similarly, if voting via a mobile phone, etc., any connection charges or other fees arising from the use of mobile phone, etc. shall be borne by shareholders.

5. Inquiries about the system for exercising voting rights via the Internet and other matters

   Stock Transfer Agency (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
   Phone: 0120-173-027 (9:00 to 21:00; toll free within Japan)