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Tosei Corporation

Securities Code: 8923

February 5, 2015

Dear Shareholders,

Notice of the 65th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 65th 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 Tuesday, February 24, 2015 (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 72 through 73.

Sincerely yours,

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

Details

1. Date and Time:

Wednesday, February 25, 2015, at 10:00 a.m. (JST)

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 65th term (from December 1, 2013 to November 30, 2014)
- b. Non-consolidated Financial Statements for the 65th term (from December 1, 2013 to November 30, 2014)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of One (1) Audit & Supervisory Board Member
- Proposal 4:** Renewal of Countermeasures to Large-Scale Acquisitions of Tosei Shares (Takeover Defense Measures)
- Proposal 5:** Final Payments of Retirement Benefits to Retiring Officers upon Abolition of Retirement Benefits Plan for Officers
- Proposal 6:** Determination of the Amount and Other Details of Remuneration Provided as Stock Options to 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/>).
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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, 2013 to November 30, 2014)

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, 2014 (December 1, 2013 to November 30, 2014—“fiscal year under review”), the Japanese economy followed a moderate recovery trend due to the effect of economic measures by the government aimed at overcoming deflation as well as monetary easing by the Bank of Japan.

In the real estate industry where Tosei Group operates, corporate real estate transactions increased amid expectations of rises in rents and low-interest rates. The total acquisition amount of properties acquired by listed companies and others in the period from April 2014 to September 2014 was ¥2.1 trillion, an increase of 10% compared with the same period of the previous fiscal year and the second-highest acquisition amount to date (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, the contract rate in October 2014, the latest data available, was 63.3%, remaining at a low level as a result of slowing consumer demand for condominium purchases due to a jump in prices reflecting rising building costs. The supply of condominiums was also low, showing a substantial decline due to a decrease in housing starts and a tendency among owners to hold back on selling. As a result, the number of condominium units sold in 2014 is expected to be approximately 43,000 units, down more than 20% from the corresponding period of the previous fiscal year (according to a survey by a private research institution).

In the Tokyo metropolitan area build-for-sale detached house market, supply continued to decrease each month compared with the previous year due to a prolonged backlash from the consumption tax hike. The supply of detached houses in the period from January 2014 to September 2014 was down 6.1% compared with the previous period, fuelling concerns about a delayed market recovery (according to the Ministry of Land, Infrastructure, Transport and Tourism data).

At the same time, in the office leasing market of Tokyo’s five business wards, the market situation recovered further and the vacancy rate in October 2014 declined to the mid-5% range. The average asking rent was ¥16,913/tsubo, an increase of ¥676 or 4.2% compared with the same month of the previous fiscal year, showing a modest upward trend for ten consecutive months (according to a survey by a private research institution).

In the real estate securitization market, although the financial inflow continued on the back of monetary easing and expectations of rises in rents, the pace of property acquisitions by J-REITs slowed down due to a decrease in yields resulting from property price increases. The total acquisition amount of properties in the period from January 2014 to October 2014 was ¥1.2 trillion, down 32.5% year on year (according to a survey by a private research institution).

As of the end of June 2014, the total value of assets under management in this market was ¥27.4 trillion, comprising ¥11.9 trillion at J-REITs and ¥15.5 trillion at privately placed funds (according to a survey by a private research institution).

Amid this operating environment, in the Revitalization Business, the Tosei Group made steady progress on the sale of assets such as income-generating office buildings and apartment buildings. In the Development Business, the Group pushed ahead with sales of detached houses, condominiums and other products. In addition, Tosei Reit Investment Corporation, which contracts out the management of its assets to Tosei Asset Advisors, Inc., a wholly-owned subsidiary of Tosei Corporation, was listed on the Tokyo Stock Exchange. We believe that this entry into the J-REIT sector will help to strengthen value chains in the Tosei Group’s business portfolio, and will work to further increase the corporate value of the Group by supporting improved medium- and long-term

revenue and stable growth at the Investment Corporation.

As a result, consolidated revenue for the fiscal year under review totaled ¥49,981 million (up 42.5% year on year), operating profit was ¥5,560 million (up 42.1%), profit before tax was ¥4,663 million (up 44.7%), and profit for the year was ¥2,874 million (up 43.2%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 31 properties it had renovated, including Tama Center Tosei Building (Tama-shi, Tokyo), Inage Kaigan Building (Chiba-shi, Chiba), KM Shinjuku Building (Shinjuku-ku, Tokyo), Akihabara Tosei Building (Chiyoda-ku, Tokyo), Ueno Takeuchi Building (Taito-ku, Tokyo), FLEG Nishiazabu (Minato-ku, Tokyo) and Yanagibashi Suzuwa Building (Taito-ku, Tokyo), and a land lot in Shinjuku 6-chome (Shinjuku-ku, Tokyo). In addition, the segment sold 58 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Estage Kaminoge (Setagaya-ku, Tokyo).

In the fiscal year ended November 30, 2014, it also acquired a total of 25 income-generating office buildings and apartment buildings and five land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥34,743 million (up 213.1% year on year) and the segment profit was ¥3,330 million (up 138.1%).

Development Business

During the fiscal year under review, the segment focused on the sale of newly-built condominiums and detached houses. The segment sold 33 newly-built condominium units in THE Palms Nihonbashi Kodenmachi Visage (Chuo-ku, Tokyo), as well as a total of 80 detached houses such as properties at Palms Court Setagaya Okamoto (Setagaya-ku, Tokyo), Palms Court Okusawa 1-Chome (Setagaya-ku, Tokyo), Palms Court Sanno 1-Chome (Ota-ku, Tokyo), THE Palms Court Yokohama Hakuraku (Yokohama-shi, Kanagawa) and THE Palms Court Kawasaki Daishi (Kawasaki-shi, Kanagawa).

The segment also acquired nine land lots for detached housing projects and one land lot for a store development project.

As a result, revenue in this segment was ¥6,112 million (down 62.6% year on year) and the segment profit was ¥432 million (down 70.1%).

Rental Business

During the fiscal year under review, while the segment sold 30 buildings of its inventory assets held for leasing purposes, it acquired a total of 23 income-generating office buildings and apartment buildings, and made an effort to lease them out. The segment also focused on leasing activities for its preexisting non-current assets and inventory assets.

As a result, revenue in this segment was ¥4,153 million (up 56.9% year on year), and the segment profit was ¥2,414 million (up 51.8%).

Fund and Consulting Business

During the fiscal year under review, while the segment obtained new asset management contracts in the amount of ¥130,896 million, the balance of assets under management decreased by ¥78,317 million, due mainly to property disposition by funds.

As a result, revenue in this segment was ¥949 million (down 32.1% year on year) and the segment profit was ¥174 million (down 73.9%).

The lower year-on-year revenue and profit results are primarily attributable to the segment having posted brokerage fee income pertaining to transactions involving large projects in the previous fiscal year.

As of November 30, 2014, the balance of assets under management (Note) totaled ¥300,607 million.

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

Property Management Business

As of November 30, 2014, the number of properties managed by the segment including office buildings, parking lots, schools and warehouses was 351, an increase of 8 from November 30, 2013, while the number of condominium and apartment buildings under management decreased by 10 to 193, making the total number of properties under management 544, a decrease of 2 from November 30, 2013.

As a result, revenue in this segment was ¥2,943 million (down 6.8% year on year) and segment profit was ¥227 million (up 84.1%).

Revenue decreased due to a decline in business involving schools, however the segment profit increased owing to increases in fee income and decreases in general and administrative expenses.

Alternative Investment Business

During the fiscal year under review, the segment focused on selling and leasing activities for properties acquired by a substitute performance. Membership fees from Crystal Sports Club, which was acquired through an M&A transaction in the third quarter, also contributed to income in this segment.

As a result, revenue in this segment was ¥1,078 million (up 157.4% year on year) and the segment profit was ¥213 million (up 193.0%).

Business segment	Revenue
Revitalization Business	¥34,743 million
Development Business	6,112
Rental Business	4,153
Fund and Consulting Business	949
Property Management Business	2,943
Alternative Investment Business	1,078
Total	49,981

b. Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥1,203 million.

c. Status of financing

The Group raised funds of ¥32,389 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

	62nd term (Year ended November 30, 2011)	63rd term (Year ended November 30, 2012)	64th term (Year ended November 30, 2013)	65th term (Year under review) (Year ended November 30, 2014)
	[Japanese GAAP]	[IFRS]	[IFRS]	[IFRS]
Net sales or revenue (Thousands of yen)	24,759,291	24,195,800	35,070,345	49,981,563
Net income or profit attributable to owners of the parent (Thousands of yen)	751,982	1,465,284	2,006,471	2,874,226
Net income per share or basic earnings per share (Yen)	1,646.05	3,207.44	43.05	59.53
Total assets (Thousands of yen)	59,967,603	65,363,083	71,283,073	80,858,080
Net assets or total equity (Thousands of yen)	24,976,051	26,543,892	30,092,426	32,727,836

- (Notes) 1. 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.
2. 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

	62nd term (Year ended November 30, 2011)	63rd term (Year ended November 30, 2012)	64th term (Year ended November 30, 2013)	65th term (Year under review) (Year ended November 30, 2014)
Net sales (Thousands of yen)	20,719,445	19,431,692	30,044,918	45,361,084
Ordinary income (Thousands of yen)	1,601,947	2,016,138	2,654,711	4,130,769
Net income (Thousands of yen)	993,517	1,198,413	1,656,236	2,439,091
Net income per share (Yen)	2,174.76	2,623.27	35.54	50.52
Total assets (Thousands of yen)	56,313,964	61,593,045	67,207,256	76,218,316
Net assets (Thousands of yen)	24,382,434	25,699,023	29,015,893	31,131,670

- (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
Hestia Capital Limited Company	¥3,000 thousand	[100.0]	Alternative investment business
Crystal Sports Club	¥35,000 thousand	100.0	Alternative investment business

- (Notes) 1. Tosei Singapore Pte. Ltd. carried out a capital increase of S\$3,700,000 during the fiscal year under review.
2. The Company acquired all the shares in Crystal Sports Club and brought the said company into the scope of consolidated subsidiaries during the fiscal year under review.

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) Issues to be addressed

Business confidence followed a moderate recovery trend in line with a weakening yen and higher stock prices due to the effects of the economic measures under Abenomics. Consequently, the Japanese real estate market also recovered with rising real estate transaction prices and rents in addition to low vacancy rates. On the other hand, although the housing market has shown consistent firmness, these trends need to be monitored in view of the effects on the market of the consumption tax hike and rising building costs and the consequent slowdown in the pace of supply and downward trend in the contract rate.

Against this backdrop, the Group regards the following matters as issues to be addressed to achieve the new medium-term management plan, “Advancing Together 2017” (December 2014 through November 2017): i) strengthening of purchases of income-generating properties for renovation and land for development in view of changes in the real estate market and realization of the optimum investment balance, ii) further strengthening of the group’s governance in addition to establishment and operation of an efficient operating structure to increase productivity, looking ahead to organizational growth in line with business expansion at Tosei Corporation and its group companies, iii) improvement in the satisfaction of all Group employees, including securing the personnel necessary for the expansion of the Group as well as human resources development for the next generation, and iv) establishing Tosei’s brand recognition by combining “innovation and challenge” with “assurance and reliability” through original products and high quality services.

(5) Major lines of business (As of November 30, 2014)

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, 2014)

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
Hestia Capital Limited Company	Head office: Minato-ku, Tokyo
Crystal Sports Club	Head office: Setagaya-ku, Tokyo

(7) Status of employees (As of November 30, 2014)

a. Status of employees of the Group

Segment	Number of employees	Year-on-year change
Revitalization Business	32	5
Development Business	43	–
Rental Business	14	6
Fund and Consulting Business	39	(6)
Property Management Business	74	6
Alternative Investment Business	3	1
Group-wide (common)	38	4
Total	243	16

(Note) The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 184.

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
131	11	36.8 years old	5.3 years

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

(8) Major lenders (As of November 30, 2014)

Lender	Loan balance (Millions of yen)
The Shoko Chukin Bank, Ltd.	4,212
Aozora Bank, Ltd.	4,148
Mizuho Bank, Ltd.	3,750
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,877
The Tokyo Star Bank, Limited	2,863

(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, 2014)

- | | |
|--------------------------------------|--------------------|
| a. Total number of shares authorized | 150,000,000 shares |
| b. Total number of shares issued | 48,284,000 shares |
| c. Number of shareholders | 7,911 |
| 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
Japan Trustee Services Bank, Ltd. (Trust Account)	3,286,300	6.80
BARCLAYS BANK PLC A/C CLIENT SEGREGATED A/C PB CAYMAN CLIENTS	1,480,700	3.06
State Street Bank and Trust Company	1,185,900	2.45
The Chase Manhattan Bank, N.A. London SL Omnibus Account	1,029,700	2.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	921,100	1.90
HSBC Fund Services Sparx Asset Management Corporated	693,800	1.43
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS	580,000	1.20
Deutsche Bank AG London-PB Non-Treaty Clients 613	556,700	1.15

(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, 2014)

Not applicable.

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

Not applicable.

- c. Other important matters regarding stock acquisition rights

Not applicable.

(3) Status of officers of the Company

a. Status of Directors and Audit & Supervisory Board Members (As of November 30, 2014)

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 Shotoku	Representative Director of SCS Global Consulting (S) Pte Ltd. Outside Audit & Supervisory Board Member of ROKI TECHNO CO., 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	Outside Audit & Supervisory Board Member of Tosei Community Co., Ltd.
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 Shotoku are Outside Directors.
 2. All the Audit & Supervisory Board Members above are Outside Audit & Supervisory Board Members.
 3. Director Kenichi Shotoku 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 Shotoku 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	¥150,260 thousand
Audit & Supervisory Board Members	4	27,180
Total [Of the above, Outside Directors and Outside members of Audit & Supervisory Board]	9 [6]	177,440 [37,420]

- (Notes)
- 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.
 - 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.
 - The above amounts of remuneration include the following:
 - Provision for directors' retirement benefits for the fiscal year under review: ¥30,020 thousand (¥28,040 thousand for five Directors (including ¥640 thousand for two Outside Directors) and ¥1,980 thousand for four Audit & Supervisory Board Members (including ¥1,980 thousand for four Outside Audit & Supervisory Board Members))
 - Other than the above, the total amount of remuneration, etc. received by Outside Director(s) and/or Outside members of the Audit & Supervisory Board from the Company's subsidiaries was ¥900 thousand, and this was paid to one person.

c. Matters regarding outside officers

- 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 Shotoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI TECHNO CO., LTD. and Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. SCS Global Consulting (S) Pte Ltd. has entered into a consignment contract with the Company for consulting on overseas business deployment, etc. There are no special relationships between the Company and ROKI TECHNO CO., LTD. or ROKI GROUP HOLDINGS CO., LTD.
 - Audit & Supervisory Board Member Yutaka Kitamura serves concurrently as Outside 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 19 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 Shotoku, Director	Kenichi Shotoku attended 18 of the 19 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 19 meetings of the Board of Directors and all 16 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 19 meetings of the Board of Directors and all 16 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.
Tatsuki Nagano, Audit & Supervisory Board Member	Tatsuki Nagano attended 16 of the 19 meetings of the Board of Directors and all 16 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 18 of the 19 meetings of the Board of Directors and all 16 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.

3) 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

(Note) 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.

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

- 1) 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 Company 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.
- 2) If something interferes with the Accounting Auditor's duties, such as a violation of or conflict with the Certified Public Accountants Act or other laws and regulations by the Accounting Auditor, or the receipt of an order to suspend auditing operations by the Accounting Auditor from the competent authorities, or if otherwise judged necessary, the Company shall carry out deliberations on the dismissal or non-reappointment of the Accounting Auditor at the Board of Directors. Following this, based on the agreement of the Audit & Supervisory Board or a request from the Audit & Supervisory Board, the Company shall propose the dismissal or non-reappointment of the Accounting Auditor as a matter for resolution at the General Meeting of Shareholders.
- 3) In cases other than that described in 1) above, if something interferes with the Accounting Auditor's duties, such as a violation of or conflict with the Certified Public Accountants Act or other laws and regulations by the Accounting Auditor, or the receipt of an order to suspend auditing operations by the Accounting Auditor from the competent authorities, or if otherwise judged necessary, the Company shall carry out deliberations on the dismissal or non-reappointment of the Accounting Auditor at the Audit & Supervisory Board. Following this, the Audit & Supervisory Board shall request the Board of Directors to propose the dismissal or non-reappointment of the Accounting Auditor 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 policy.

- a. Basic policies for compliance with laws and regulations
 - (i) Ensure awareness 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 regarding the importance of storing and managing information.
 - (ii) Enhance the measures for preventing the leakage of material information.
 - (iii) Ensure thorough familiarity with 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 whistle-blowing 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 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 the entire Group and ensure that each of the Group companies complies with laws and regulations.
 - (ii) Strain to share and resolve the managerial issues of each of the Group companies and enhance the risk management system of the Group.
 - (iii) Encourage appropriate and timely sharing of information among the Group companies for the purpose of enhancing their internal control system.
 - (iv) Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.
 - (v) 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) Provide members of staff that are independent of Directors to assist Audit & Supervisory Board Members in their duties.
 - (ii) Obtain concurrence from the Audit & Supervisory Board for the transfers and the performance evaluations of the aforementioned members of staff.
 - (iii) Ensure prompt reporting to the Audit & Supervisory Board by officers or employees when they have any concern that material loss may occur or have identified any breach of regulations or misconduct.
 - (iv) Ensure timely reporting by Directors and key employees to Audit & Supervisory Board Members.
 - (v) Ensure availability of important documents for timely inspections.
 - (vi) Promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
 - (vii) 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.
 - (viii) 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.

“The systems to ensure properness of a company’s operations” established at the Group and the details of initiatives implemented in the fiscal year under review (ended November 30, 2014) are as follows.

- a. Compliance with laws and regulations, etc.
 - i) For the purpose of supervising directors who execute business, the Company has appointed two Outside Directors, and all four of Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. The Company has notified the Tokyo Stock Exchange of all six of these officers (two Outside Directors and four Outside Audit & Supervisory Board Members) as “independent directors/auditors” in accordance with the Tokyo Stock Exchange’s “Principles of Corporate Governance for Listed Companies.”
 - ii) A corporate governance meeting attended by full-time directors and full-time Audit & Supervisory Board Members is held every month. Additionally, an interview with full-time Audit & Supervisory Board Members is performed by the President and CEO monthly, and by other directors quarterly. Matters regarding all aspects of management are deliberated upon and considered at the meetings in order to realize a higher quality governance system. In addition, education, training, recognizing current issues, and deliberations are carried out and signs of violations of laws and regulations, etc. are checked at the Compliance Committee (held monthly), which is composed of heads of divisions and the compliance officers of each Group company, and the details are reported at the monthly meetings of the Board of Directors.
 - iii) In order to thoroughly promote consciousness regarding violations of laws and regulations and strengthen the checking function for such violations, a compliance program is set at the beginning of the fiscal year, and various training sessions and seminars are held, while various regulations are developed. Additionally, on a monthly basis, compliance slogans are gathered and published, and a booklet titled “Compliance Mind” is distributed to foster the legal awareness of employees. Furthermore, in continuation with the previous fiscal year, the Company carried out a compliance questionnaire to check the extent of the penetration of consciousness regarding compliance.

In the fiscal year under review, the Company carried out general compliance training, insider training and financial instruments business training sessions tailored to different

positions, employee levels and career histories in the Company as regular training, and enhanced compliance training sessions for new employees. In addition, to increase awareness regarding information management, the Company started carrying out training on information asset management in the fiscal year under review.

- iv) The Company worked to strengthen its structure as a financial instruments business operator based on the consultation with an external firm.
 - v) A business law liaison meeting, which is composed of the respective heads of each team of asset solutions business and responsible personnel from each Group company, is held every month to make well known the revision of laws and regulations, etc. relating to businesses conducted by the Group and the gathering of information from industry associations it has membership in, and information about laws and regulations, etc. on permits and approvals across the Group. In addition, monitoring of matters such as the state of compliance with laws and regulations is carried out.
 - vi) In line with an increase in businesses targeting end users, the Company established uniform rules on examining matters such as advertising.
 - vii) A whistle-blowing system has been established providing contact points inside and outside the Company. In addition, employees are continuously informed about the whistle-blowing system.
 - viii) Regular training on action against anti-social forces is carried out in order to eliminate any association with anti-social forces. In addition, a manual on action against anti-social forces has been formulated, and an employee has been assigned to be in charge of preventing unreasonable demands.
- b. Retaining and managing information
- i) Administrative offices have been set up in each of the Board of Directors and important meetings and committees as part of efforts to enable the thorough retaining and management of information.
 - ii) Important information is retained in a manner that makes it easy to find in accordance with the regulations on the retention of written documents. The unified management of a list of details pertaining to the retention of written documents and confidential information, which was prepared at each division based on inventories of information assets conducted periodically, has been implemented at the Administration and HR Department, and documents for which the retention period has expired have been thoroughly disposed. In addition, the Company strengthened its security of the management of electronic information.
 - iii) The Company started carrying out training on information asset management in the fiscal year under review and strengthened measures to increase awareness regarding management of confidential information including personal information.
 - iv) In accordance with the enforcement of the revised Financial Instruments and Exchange Act, rules for the prevention of insider trading have been revised and thoroughly disseminated throughout the Company, and the internal information management system has been strengthened.
 - v) The Information Disclosure Committee, which consists of executive officers in charge of each division (held 19 times during the current period), inspects circulars from the Tokyo Stock Exchange and the Singapore Exchange to gain an understanding of information for timely disclosure. When information is disclosed, meetings of the Committee are held flexibly, at which deliberations are held regarding the appropriateness, etc. of information for disclosure and such information is managed with the use of reports and check sheets regarding disclosure. Details of meetings of the Information Disclosure Committee are reported at the monthly meetings of the Board of Directors.
 - vi) An extraordinary report regarding the voting results at the 64th Ordinary General Meeting of

Shareholders was submitted to the Director-General of the Kanto Local Finance Bureau and disclosed through EDINET (Electronic Disclosure for Investors' NETwork, an electronic disclosure system to file the corporate disclosure documents such as Securities Reports required under the Financial Instruments and Exchange Act).

c. Management of risk of loss

- i) Meetings of the Risk Management Committee, which is composed of the heads of each section and department, and the risk management officers of each Group company, are held monthly. Risks for the entire Group are identified, analyzed and evaluated, while information is gathered about individual events and countermeasures are deliberated upon. The details of the deliberations of the Risk Management Committee are reported at the monthly meetings of the Board of Directors. Important risk information is reported regularly by the full-time directors to the full-time Audit & Supervisory Board Members at corporate governance meetings.
- ii) Matters regarding the evaluation of risks associated with financial reporting are verified every quarter.
- iii) In order to enhance the whistle-blowing system regarding the occurrence of contingencies or signs that they may occur, a risk management program is set at the beginning of the fiscal year and a risk management cycle is implemented, consisting of risk evaluation and analysis, planning and implementation of risk countermeasures, reviews of the effectiveness of countermeasures and checks of functions disseminating information about them.
- iv) With respect to the newly started operation of a listed investment corporation by a subsidiary, external consulting was carried out and this was monitored by the Company's Internal Audit Department.
- v) The Company reports troubles regarding the entire Group (including signs) to Audit & Supervisory Board Members on a regular basis or when necessary.

d. Efficient execution of duties by directors

- i) In addition to regular meetings of the Board of Directors, which are held on a monthly basis, extraordinary meetings of the Board of Directors are held as necessary in order to make decisions promptly, including approval of quarterly financial results (regular meetings have been held 12 times during the current period, and extraordinary meetings, including those for quarterly financial results, have been held seven times).
- ii) In order to ensure that deliberations by the Board of Directors are carried out efficiently and substantially, management meetings attended by executive officers and Audit & Supervisory Board Members, at which details of the matters for deliberation are examined, are held before meetings of the Board of Directors (regular meetings have been held 24 times during the current period and extraordinary meetings have been held eight times).
- iii) Company principles have been formulated to thoroughly communicate management policy and the direction the Company should take to all officers and employees of the Group, and a medium-term management plan and business plans for single fiscal years are formulated in accordance with these principles. In the fiscal year under review, a review of the progress of the present medium-term management plan and analyses of the internal and external environments were carried out. Based on the review and analyses, a medium- and long-term vision was set up and a new medium-term management plan for the coming three fiscal years was established.
- iv) The previous four departments of asset solutions business were newly reorganized into four departments and eight teams of asset solutions business, and each of the heads of teams of asset solutions business was given part of the authority of heads of the previous departments of asset solutions business.

e. Properness of operations of entire Group

- i) All Group companies are required to construct an internal management system to the same

- level of that of the Company (the parent), and where necessary, the Company provides supports to the Group companies.
- ii) Some Group companies strive to enhance the internal control system by establishing their own compliance program at the beginning of the fiscal year and obtaining progress reports on the program.
 - iii) Training sessions, gathering and publishing of compliance slogans on a monthly basis, distribution of a booklet titled “Compliance Mind” to foster the legal awareness of employees and diagnosis of risks are also implemented for Group companies. Additionally, responsible personnel from each Group company are required to attend the Compliance Committee and the Risk Management Committee.
 - iv) In continuation with the previous fiscal year, Group companies carried out the same compliance questionnaire as the parent and the extent of the penetration of consciousness regarding compliance at all Group companies was checked.
 - v) Reports are given on the implementation of internal audits of Group companies by the Company’s Internal Audit Department and the management conditions of all Group companies to the monthly management meeting. In addition, indications of risks for each month are ascertained regularly through the meeting of associated companies, which is held by the Corporate Planning Department. Furthermore, the business support projects for Group companies are set up in the Company, and efforts are focused on solving management issues.
 - vi) Timely reporting is required to be made to the chairman of the Risk Management Committee in the case of an accident or other such event at any Group company.
 - vii) Part of the basic policies for properness of the operations of the entire Group in the basic policy on 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 was revised.
 - viii) Outside experts were invited to act as advisors for group companies, and they provided assistance and guidance on management and business strategies to construct internal control systems and improve profitability.
 - ix) Responsible personnel from Group companies also joined in business law liaison meeting, which work to make well known the amendment of laws and regulations, etc. relating to businesses conducted by the Group and disseminate cautionary information related to customer solicitation and information about laws and regulations, etc. on permits and approvals on permits and approvals across the Group.
 - x) Group companies that have registered as financial instruments business operators are continuously working to strengthen internal control environment based on the consultation with an external firm.
 - xi) Necessary cooperation is given for the liaison meeting of Audit & Supervisory Board Members of the Group companies (held on a half-yearly basis), which is held by Audit & Supervisory Board Members of the Company.
 - xii) Rules have been established requiring any significant transactions between Group companies to be reported in advance to the Board of Directors of the Company (in the current period there were no such transactions).
- f. System to ensure effective auditing by Audit & Supervisory Board Members
- i) The Internal Audit Department has been assigned as the department in charge of assisting Audit & Supervisory Board Members in their duties. In addition to providing such assistance, this department carries out administrative duties for the Audit & Supervisory Board.
 - ii) The duties mentioned above are performed in accordance with direct orders from Audit &

Supervisory Board Members. In addition, evaluations of personnel, rewards and punishments, and transfers of relevant personnel are carried out after the concurrence of the Board of Directors.

- iii) Full-time Audit & Supervisory Board Members are provided with reports about various issues regarding all aspects of management at corporate governance meetings. The President and CEO makes reports on his areas of responsibility in interviews once a month, while other directors make such reports once a quarter and other important employees make reports on a half-yearly basis. Interviews are also held between presidents and officers of Group companies and the Company's full-time Audit & Supervisory Board Members (investigations of subsidiaries: once each, opinion-exchanging meetings: twice). Events that have the potential to develop into matters that pose a serious risk to the continuation of corporate activities or signs that such events may occur, as well as individual cases including controversies, accidents and complaints are reported to Audit & Supervisory Board Members in a timely and appropriate manner.
- iv) In addition to regular and extraordinary meetings of the Board of Directors, Audit & Supervisory Board Members attend the regular management meetings that are held twice a month and also attend extraordinary meetings as necessary, and directors and executive officers make timely and appropriate reports to them. Comments received from Audit & Supervisory Board Members in business audits and at meetings of the Board of Directors and management meetings, are implemented as promptly as possible, and progress made on this is reported at the meeting of the Board of Directors once every three months. Documents requested by Audit & Supervisory Board Members for their inspection are submitted promptly.
- v) A system has been established in which all whistle blowing is reported promptly to Audit & Supervisory Board Members, and even when no whistle blowing has occurred, this fact is reported on a monthly basis.
- vi) The directors receive explanations of Audit & Supervisory Board Members' yearly audit plans and make efforts to understand such plans and cooperate in their implementation.
- vii) Audit & Supervisory Board Members attend meetings in which the audit corporation explains its audit result to the directors, which are held for each quarterly book closing, and confirm the contents of such explanation as well as the actions taken by directors in response.
- viii) With the aim of enhancing the threefold auditing structure, there are periodic meetings at which the accounting auditor reports to the Audit & Supervisory Board (held six times during the current period) and periodic meetings at which Audit & Supervisory Board Members and Internal Audit Department exchange opinions (held six times during the current period).
- ix) Meetings to exchange views were held for Outside Directors and Audit & Supervisory Board Members. (Meetings were held three times during the period under review.)
- x) With the aim of enhancing audits by Audit & Supervisory Board Members across the entire Group, efforts are made to provide necessary cooperation for holding the liaison meeting of Audit & Supervisory Board Members of the Group companies on a half-yearly basis.
- xi) Meetings to exchange opinions were held with legal advisors of the Company to promote understanding of legal matters relevant to the Tosei Group. (Meetings were held three times during the period under review.)

(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**

Because the Group was fully aware of the fact that as a listed company on the First Section of the Tokyo Stock Exchange it would be required to demonstrate even higher standards of behavior, dignity and the like from external parties in the future, the Group, aiming to move to the next stage, established a new medium-term management plan called "Next Stage 2014" (the targeted period of the plan is three years from December 2011 to November 2014) and commenced its efforts under the plan from the 63rd term. Under this medium-term management plan, although the Group faces an external environment that is dramatically changing due to the financial crisis and the Great East Japan Earthquake, in order to realize further progress as a company intending to make continuous innovation, the Group is committed to "Expansion and Growth of Existing 6 Businesses," "Foray into a Global Market," and "Renovation of Management Infrastructure."

- 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 62nd Ordinary General Meeting of Shareholders held on February 24, 2012 (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 62nd 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.

To shareholders:

The effective period of the Plan will expire at the conclusion of the 65th Ordinary General Meeting of Shareholders to be held on February 25, 2015. A resolution was passed at a meeting of the Board of Directors held on January 23, 2015, to renew the Plan after amending its wording for form's sake upon the completion of the effective period, on the condition that this is approved by shareholders at this Ordinary General Meeting of Shareholders. For details, please refer to pages 57 through 68 of this Notice.

Consolidated Statement of Financial Position

(As of November 30, 2014)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	59,882,266	Current liabilities	9,632,009
Cash and cash equivalents	16,100,795	Trade and other payables	2,590,792
Trade and other receivables	2,049,710	Borrowings	5,380,269
Inventories	41,565,148	Current income tax liabilities	1,393,664
Other current assets	166,612	Provisions	267,281
Non-current assets	20,975,814	Non-current liabilities	38,498,235
Property, plant and equipment	3,293,308	Trade and other payables	2,697,083
Investment properties	13,858,329	Borrowings	35,024,707
Intangible assets	77,675	Retirement benefits obligations	697,680
Available-for-sale financial assets	2,445,963	Provisions	78,764
Trade and other receivables	780,758	Total liabilities	48,130,244
Deferred tax assets	515,765		
Other non-current assets	4,014	Equity	
		Equity attributable to owners of the parent	32,727,836
		Share capital	6,421,392
		Capital reserves	6,375,317
		Retained earnings	19,776,474
		Other components of equity	154,652
		Total equity	32,727,836
Total assets	80,858,080	Total liabilities and equity	80,858,080

Consolidated Statement of Comprehensive Income

(From December 1, 2013 to November 30, 2014)

(¥ thousand)

Item	Amount
Revenue	49,981,563
Cost of revenue	40,018,772
Gross profit	9,962,791
Selling, general and administrative expenses	4,381,177
Other income	45,084
Other expenses	65,924
Operating profit	5,560,774
Finance income	3,514
Finance costs	900,581
Profit before tax	4,663,706
Income tax expense	1,789,479
Profit for the year	2,874,226
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Remeasurements of defined benefit pension plans	(5,847)
Total items that will not be reclassified to net profit or loss	(5,847)
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	32,455
Net change in fair values of available-for-sale financial assets	118,610
Net change in fair values of cash flow hedges	2,236
Total items that may be reclassified to net profit or loss	153,303
Other comprehensive income for the year, net of tax	147,455
Total comprehensive income for the year	3,021,682
Profit attributable to:	
Owners of the parent	2,874,226
Total comprehensive income attributable to:	
Owners of the parent	3,021,682

Consolidated Statement of Changes in Equity

(From December 1, 2013 to November 30, 2014)

(¥ thousand)

	Equity attributable to owners of the parent				
	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance as of December 1, 2013	6,421,392	6,375,317	17,294,366	1,348	30,092,426
Comprehensive income for the year					
Profit for the year	–	–	2,874,226	–	2,874,226
Other comprehensive income	–	–	–	147,455	147,455
Total comprehensive income for the year	–	–	2,874,226	147,455	3,021,682
Amount of transactions with owners					
Dividends from surplus	–	–	(386,272)	–	(386,272)
Transfer from other components of equity to retained earnings	–	–	(5,847)	5,847	–
Total amount of transactions with owners	–	–	(392,119)	5,847	(386,272)
Balance as of November 30, 2014	6,421,392	6,375,317	19,776,474	154,652	32,727,836

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: 7
- Names of consolidated subsidiaries: Tosei Community Co., Ltd.
Tosei Asset Advisors, Inc.
NAI TOSEI Japan, Inc.
Tosei Singapore Pte. Ltd.
Tosei Revival Investment Co., Ltd.
Hestia Capital Limited Company
Crystal Sports Club

2) Change in scope of consolidation

Crystal Sports Club was included in the scope of consolidation from the fiscal year under review, since the Company newly acquired all the shares in Crystal Sports Club during the fiscal year under review.

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 IAS 19 “Employee Benefits”, IFRS 10 “Consolidated Financial Statements,” IFRS 11 “Joint Arrangements,” IFRS 12 “Disclosure of Interests in Other Entities” and IFRS 13 “Fair Value Measurement” effective from the fiscal year under review. The impact of these standards on the consolidated financial statements is immaterial. Among the above standards, for IAS 19, retrospective statements have been made in accordance with transitional measures.

(7) Changes in presentation

Sales expenses such as advertising costs for real estate for sale, which were posted in “Cost of revenue” until the previous fiscal year, are being posted in “Selling, general and administrative expenses” from the fiscal year under review. This change was made in order to more accurately present the actual situation, due to the fact that the aforementioned sales expenses more resemble sales costs than cost of goods sold these days.

Sales expenses that were presented in “Cost of revenue” in the previous fiscal year were

- Record date November 30, 2014
- Effective date February 26, 2015

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, 2014 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
(1) Cash and cash equivalents	16,100,795	16,100,795	–
(2) Trade and other receivables	2,830,468	2,830,468	–
(3) Available-for-sale financial assets	2,445,963	2,445,963	–
(4) Trade and other payables	5,287,876	5,287,876	–
(5) Borrowings	40,404,977	40,432,892	27,915

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, 2014 totaled ¥856,855 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.

	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	12,703,600	1,154,728	13,858,329	20,200,023

(¥ thousand)

- (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, 2014, the increase mostly stemmed from the transfer from inventories due to acquisition of one rental office building (¥1,105,661 thousand) and change of holding purpose (¥686,654 thousand), while the decrease stemmed from the transfer to inventories due to change of holding purpose (¥526,104 thousand).
 3. The fair value as of November 30, 2014 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 | ¥677.82 |
| (2) Basic earnings per share | ¥59.53 |

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, 2014)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	56,260,797	Current liabilities	8,309,917
Cash and deposits	13,608,547	Notes payable-trade	113,472
Accounts receivable-trade	62,720	Accounts payable-trade	535,394
Real estate for sale	32,516,914	Short-term loans payable	95,000
Real estate for sale in process	8,272,270	Current portion of long-term loans payable	4,925,520
Supplies	2,743	Lease obligations	1,771
Short-term loans receivable from subsidiaries and affiliates	60,000	Accounts payable-other	291,831
Accounts receivable-other	1,146,184	Accrued expenses	43,516
Advance payments-trade	77,007	Income taxes payable	1,312,894
Prepaid expenses	265,832	Accrued consumption taxes	148,114
Deferred tax assets	211,350	Advances received	645,288
Other	37,986	Unearned revenue	8
Allowance for credit losses	(759)	Deposits received	59,029
Non-current assets	19,957,519	Provision for bonuses	138,075
Property, plant and equipment	15,414,370	Non-current liabilities	36,776,728
Buildings	4,695,845	Long-term loans payable	33,574,105
Structures	6,082	Guarantee deposits	2,620,467
Machinery and equipment	80	Lease obligations	1,335
Vehicles	4,354	Asset retirement obligations	18,764
Tools, furniture and fixtures	23,877	Provision for retirement benefits	206,817
Land	10,681,171	Provision for directors' retirement benefits	355,239
Lease assets	2,959		
Intangible assets	51,283	Total liabilities	45,086,645
Software	49,393	Net assets	
Telephone subscription right	1,889	Shareholders' equity	31,068,340
Investments and other assets	4,491,865	Capital stock	6,421,392
Investment securities	2,332,301	Capital surplus	6,504,868
Stocks of subsidiaries and affiliates	1,123,160	Legal capital surplus	6,504,868
Investments in capital	4,100	Retained earnings	18,142,080
Long-term loans receivable	3,216	Legal retained earnings	7,250
Long-term loans receivable from subsidiaries and affiliates	240,000	Other retained earnings	18,134,830
Claims provable in bankruptcy, claims provable in rehabilitation and other	54,687	General reserve	15,000
Lease and guarantee deposits	755,075	Retained earnings brought forward	18,119,830
Deferred tax assets	30,016	Valuation and translation adjustments	63,330
Other	4,014	Valuation difference on available-for-sale securities	63,330
Allowance for credit losses	(54,707)	Total net assets	31,131,670
Total assets	76,218,316	Total liabilities and net assets	76,218,316

Non-Consolidated Statement of Operations

(From December 1, 2013 to November 30, 2014)

(¥ thousand)

Item	Amount	
Net sales		45,361,084
Cost of sales		37,249,878
Gross profit		8,111,205
Selling, general and administrative expenses		3,094,227
Operating income		5,016,978
Non-operating income		
Interest income	6,554	
Dividends income	213	
Miscellaneous income	17,817	24,585
Non-operating expenses		
Interest expenses	860,683	
Provision of allowance for credit losses	50,000	
Foreign exchange losses	57	
Miscellaneous loss	52	910,793
Ordinary income		4,130,769
Extraordinary income		
Gain on sales of investment securities	531	531
Extraordinary loss		
Loss on retirement of non-current assets	1,578	
Loss on valuation of stocks of subsidiaries and affiliates	69,999	71,578
Income before income taxes		4,059,722
Income taxes-current	1,638,268	
Income taxes-deferred	(17,637)	1,620,631
Net income		2,439,091

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2013 to November 30, 2014)

(¥ thousand)

	Shareholders' equity							Total shareholders' equity
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings	
		Legal capital surplus	Total capital surpluses		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	16,067,010	16,089,260	29,015,521
Changes of items during the year								
Dividends from surplus						(386,272)	(386,272)	(386,272)
Net income						2,439,091	2,439,091	2,439,091
Net changes of items other than shareholders' equity								
Total changes of items during the year	-	-	-	-	-	2,052,819	2,052,819	2,052,819
Balance at the end 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

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of the year	372	372	29,015,893
Changes of items during the year			
Dividends from surplus			(386,272)
Net income			2,439,091
Net changes of items other than shareholders' equity	62,957	62,957	62,957
Total changes of items during the year	62,957	62,957	2,115,776
Balance at the end of the year	63,330	63,330	31,131,670

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 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)	Mainly the straight-line 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. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible

4) Provision for directors' retirement benefits	employees at the time of occurrence. 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.
(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.

2. Notes on changes in presentation

Presentation of sales expenses

Sales expenses such as advertising costs for real estate for sale, which were posted in "Cost of sales" until the previous fiscal year, are being posted in "Selling, general and administrative expenses" from the fiscal year under review. This change was made in order to more accurately present the actual situation, due to the fact that the aforementioned sales expenses more resemble sales costs than cost of goods sold these days.

Sales expenses that were presented in "Cost of sales" in the previous fiscal year were ¥1,354,942 thousand.

3. Notes to non-consolidated balance sheet

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Real estate for sale	31,928,045
Real estate for sale in process	6,736,896
Buildings	4,513,387
Land	9,980,850
<hr/> Total	<hr/> 53,159,180
Amounts of securitized obligation	
Short-term loans payable	95,000
Current portion of long-term loans payable	4,925,520
Long-term loans payable	31,697,105
<hr/> Total	<hr/> 36,717,625

(2) Accumulated depreciation on property, plant and equipment ¥1,270,612 thousand

(3) Contingent liabilities

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

Tosei Revival Investment Co., Ltd. ¥1,484,720 thousand

Tosei Community Co., Ltd. ¥89,884 thousand

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

(¥ thousand)

1) Short-term monetary receivables 9,067

2) Long-term monetary receivables 50,000

3) Short-term monetary payables 21,467

4) Long-term monetary payables 29,853

(5) Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment (Land: ¥25,186 thousand) was transferred to real estate for sale due to the change in business policy.

(6) Securities lent

Investment securities include securities lent of ¥466,560 thousand.

4. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

	(¥ thousand)
1) Sales	221,841
2) Purchase amount	418,129
3) Other business turnover	42,682
4) Transaction volume other than business turnover	5,890

- (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.

¥284,957 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	93,815
Provision for bonuses	52,888
Estimated expenses, currently not deductible	54,950
Other	12,833
Total	<u>214,487</u>
Non-current assets	
Excess amount over limitation of taxable provision for retirement benefits	73,709
Excess amount over limitation of taxable provision for directors' retirement benefits	126,607
Loss on valuation of stocks of subsidiaries and affiliates	24,947
Impairment loss	56,775
Other	22,970
Total	<u>305,010</u>
Valuation reserves	<u>(239,924)</u>
Total deferred tax assets	279,574
Deferred tax liabilities	
Current liabilities	
Other	(3,137)
Total	<u>(3,137)</u>
Non-current liabilities	
Valuation difference on available-for-sale securities	(35,069)
Total	<u>(35,069)</u>
Total deferred tax liabilities	<u>(38,207)</u>
Net deferred tax assets	<u>241,367</u>

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	1,484,720	–	–
	Tosei Community Co., Ltd.	100%, owning, directly	Concurrent positions held by officers	Debt guarantee	89,884	–	–
	Crystal Sports Club	100%, owning, directly	–	Lending of funds	60,000	Short-term loans receivable from subsidiaries and affiliates	60,000
					240,000	Long-term loans receivable from subsidiaries and affiliates	240,000

(Notes) 1. The Company provides debt guarantees on their loans from financial institutions. The Company does not receive guarantee fees.

2. Interest rates for the lending of funds are reasonably determined taking market interest rates into consideration.

8. Per share information

(1) Net assets per share	¥644.76
(2) Net income per share	¥50.52

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, 2015

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Kazuma Shinohara (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Takashi Aikawa (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, 2013 to November 30, 2014.

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, 2015

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Kazuma Shinohara (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Takashi Aikawa (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 65th term from December 1, 2013 to November 30, 2014.

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 65th term (from December 1, 2013 to November 30, 2014), 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

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.

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, 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. 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 (ii) the systems (internal control systems) improved and maintained based on such resolutions. 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. 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. Based on the above-described methods, each Audit & Supervisory Board Member examined the business report and the supplementary schedules for the fiscal year under review.

In addition, 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 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 violation 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, 2015

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
(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 65th 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:	¥12
Total amount of dividends:	¥579,408,000
3. Effective date of dividends from surplus: February 26, 2015

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

- (1) In order to enable flexible management of a General Meeting of Shareholders and make it possible for the convenor and chairperson for a General Meeting of Shareholders to be determined at the Board of Directors' meeting, Article 15 (Convenor and Chairperson) of the current Articles of Incorporation shall be amended.
- (2) In order to strengthen the auditing structure and improve corporate governance by increasing the number of Audit & Supervisory Board Members, Article 30 (Number of Audit & Supervisory Board Members) of the current Articles of Incorporation shall be amended.

2. Details of amendments

Details of amendments are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed amendments
<p>Articles 1. – 14. (Omitted)</p> <p>Article 15. Convenor and Chairperson Unless otherwise provided for by laws and regulations, <u>the president-and-director</u> shall convene a General Meeting of Shareholders <u>by a resolution of the Board of Directors' meeting, and shall act as chairperson to such General Meeting of Shareholders.</u></p> <p>2. If the <u>president-and-director</u> becomes unable to be the convenor and chairperson of a General Meeting of Shareholders, another director shall do so in his or her place in accordance with an order of priority stipulated in advance by the Board of Directors.</p>	<p>Articles 1. – 14. (Unchanged)</p> <p>Article 15. Convenor and Chairperson Unless otherwise provided for by laws and regulations, <u>a director stipulated in advance by the Board of Directors</u> shall convene a General Meeting of Shareholders <u>in accordance with a resolution of the Board of Directors' meeting.</u></p> <p>2. <u>The chairperson of a General Meeting of Shareholders shall be a director stipulated in advance by the Board of Directors; provided, however, that if the said director</u> becomes unable to be the chairperson for a General Meeting of Shareholders, another director shall do so in his or her place in accordance with an order of priority stipulated in advance by the Board of Directors.</p>
<p>Articles 16. – 29. (Omitted)</p>	<p>Articles 16. – 29. (Unchanged)</p>
<p>Article 30. Number of Audit & Supervisory Board Members The number of Audit & Supervisory Board Members of the Company shall be no more than four persons.</p>	<p>Article 30. Number of Audit & Supervisory Board Members The number of Audit & Supervisory Board Members of the Company shall be no more than six persons.</p>
<p>Articles 31. – 47. (Omitted)</p>	<p>Articles 31. – 47. (Unchanged)</p>

(Note) Some underlining does not coincide with the Japanese version because of translation adjustments.

Proposal 3: Election of One (1) Audit & Supervisory Board Member

With the condition precedent that Proposal 2 is approved and adopted as proposed, and the number of Audit & Supervisory Board Members is increased, the Company proposes an increase by one person in the number of Audit & Supervisory Board Members and the election of the said person, in order to strengthen the auditing structure and improve corporate governance.

The Audit & Supervisory Board has consented to this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and position in the Company (Important concurrent positions outside the Company)	Number of the Company's shares owned
Hiroshi Nishinakama (Jul. 28, 1954)	Apr. 1978 Entered The Sanwa Bank, Limited (the predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	0
	Oct. 1987 Manager of London Branch	
	May 1992 Senior Manager of International Business Promotion Department, Americas Office	
	Aug. 1994 General Manager of Kwai-Chung Sub Branch of Hong Kong Branch	
	Aug. 1996 Senior Manager of Credit Administration Department	
	Oct. 1999 Senior Vice President of Derivative Products Department	
	Jan. 2002 UFJ Bank Limited (the predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Senior Manager of Internal Audit Department	
	Jan. 2006 The Bank of Tokyo-Mitsubishi UFJ, Ltd. Senior Manager of Internal Audit & Credit Examination Division	
	Apr. 2007 Entered ORIX Real Estate Corporation General Manager of Internal Audit Department	
	Mar. 2008 Transferred to ORIX Corporation Joint General Manager of Internal Audit Department (current position)	
	Jul. 2008 Audit & Supervisory Board Member of ORIX Real Estate Corporation	
	Mar. 2012 Board Director and General Manager of Internal Audit Department of ORIX Real Estate Investment Advisors Corporation (current position)	

- (Notes)
- Hiroshi Nishinakama is a new candidate for Audit & Supervisory Board Member.
 - The candidate for Audit & Supervisory Board Member has no special interests in the Company.
 - Hiroshi Nishinakama is scheduled to retire from his position at ORIX Corporation and resign from his position at ORIX Real Estate Investment Advisors Corporation on February 24, 2015.
 - Hiroshi Nishinakama is a candidate for Outside Audit & Supervisory Board Member. The Company will notify Hiroshi Nishinakama as independent auditor pursuant to the regulations of the Tokyo Stock Exchange, if he is elected as Audit & Supervisory Board Member.
Hiroshi Nishinakama was an executive at The Bank of Tokyo-Mitsubishi UFJ, Ltd., with which the Company has a business relationship, until 2007. In addition, he will be an executive at ORIX Corporation, with which the Company also has a business relationship, until February 2015. However, since the Company has a low level of economic dependence on each of these companies in light of the scale of these business relationships, the Company believes that this does not have an impact on the independence of Mr. Nishinakama as an Outside Audit & Supervisory Board Member.
 - Hiroshi Nishinakama is nominated as a candidate for Outside Audit & Supervisory Board Member because he has extensive experience and expert knowledge, accumulated mainly at major financial institutions including work overseas. Consequently, the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company's management, particularly from a financial and global viewpoint.
 - If Hiroshi Nishinakama is elected as Audit & Supervisory Board Member, the Company intends to conclude a contract for limitation of liability with him 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 to limit his liability to the amount provided by relevant laws and regulations.

Proposal 4: Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

The Company renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (the "Former Renewed Plan") by a resolution of the Board of Directors on January 25, 2012 and obtained shareholder approval at the ordinary general meeting of shareholders of the Company held on February 24, 2012. The effective period of the Former Renewed Plan expires at the conclusion of this Meeting.

Prior to the expiration of the effective period of the Former Renewed Plan, the Company determined at the Board of Directors meeting held on January 23, 2015 to, subject to approval by the shareholders at the Meeting, formally revise certain wordings of the Former Renewed Plan and introduce a new plan (the introduction is to be referred to as the "Renewal," and the renewed plan is to be referred to as the "Plan") as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b) of the Enforcement Regulations of the Companies Act) under the basic policy regarding the persons who control decisions on the Company's financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy").

The Company, therefore, requests that the shareholders approve the renewal of the Plan in accordance with Article 47, Paragraph 1 of the Articles of Incorporation of the Company.

1. Reason for Proposal

(1) Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies

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.

It is particularly necessary and essential for the persons who make decisions on the Company's financial and business policies 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.

(2) Purpose of the Plan

The Plan is in line with the Basic Policy set out above in section 1. (1) 'Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies' for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

As set out in the Basic Policy, the Board of Directors believes that persons who would propose 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 to become persons who control decisions on the Company's financial and business policies. The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, and on the occasion that the Company receives a large-scale acquisition proposal from an acquirer, to enable the Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition, and to enable the Board of Directors to negotiate for the benefit of the shareholders.

The Company believes that it is necessary that the Company's takeover defense measures must be based on and in accordance with the reasonable decision of the shareholders, and therefore requests the shareholders for an approval of the Plan.

2. Details of Proposal

(1) Plan Outline

The Plan sets out procedures necessary to achieve the purpose stated in section 1. (2) above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company's share certificates¹ or other equity securities. In addition, an acquirer, etc. must not effect an acquisition until and unless the Board of Directors resolves not to trigger the Plan if the procedures for the Plan has commenced. (See section 2. (2) 'Procedures for Triggering the Plan' below for details.)

In cases such as where an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities in the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders (see section 2. (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights' below for the details of the

¹ The Company is no longer a company issuing share certificates since the electronic share certificate system came into effect; however, we use the term "share certificate" in the Plan in accordance with the provisions of the Financial Instruments and Exchange Act from the perspective that using descriptions in the Plan that are in accordance with the provisions of the Financial Instruments and Exchange Act will contribute to clarity and objectivity.

requirements), the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the acquirer, etc. to exercise the rights (except where any exception event occurs) and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares and other equity securities in the Company from persons other than the acquirer, etc. (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) ‘Outline of the Gratis Allotment of Stock Acquisition Rights’; the relevant stock acquisition rights are hereinafter referred to as the “Stock Acquisition Rights”), by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) to all shareholders, except the Company, at that time.

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the acquirer, etc. received the Company’s shares as a result of those shareholders exercising or the Company acquiring the Stock Acquisition Rights, the ratio of voting rights in the Company held by the acquirer, etc. may be diluted by up to a maximum of 50%.

For matters such as the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or the acquisition of Stock Acquisition Rights, the Company will obtain an objective determination from the independent committee, which is composed of members who are independent from the management of the Company such as outside directors subject to the rules of the independent committee in order to eliminate arbitrary decisions by directors. In addition, the Board of Directors may, if prescribed in the Plan, convene a meeting of shareholders and confirm the intent of the Company’s shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights.

Transparency with respect to the course of those procedures will be ensured by timely information disclosure to all of the Company’s shareholders.

(2) Procedures for Triggering the Plan

(a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action (including a proposal for such action) (except for such action as the Board of Directors separately determines not to be subject to the Plan; the “Acquisition”) takes place.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)² of a holder (*hoyuusha*)³ totaling at least 20% of the share certificates, etc. (*kabuken tou*)⁴ issued by the Company; or
- (ii) A tender offer (*koukai kaitisuke*)⁵ that would result in the party conducting the tender offer’s ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)⁶ and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)⁷ totaling at least 20% of the share certificates, etc. (*kabuken tou*)⁸ issued by the Company.

(b) 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

² Defined in Article 27-23.4 of the Financial Instruments and Exchange Act. The same is applied throughout this document.

³ Including persons described as a holder under Article 27-23.3 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors). The same is applied throughout this document.

⁴ Defined in Article 27-23.1 of the Financial Instruments and Exchange Act. The same is applied throughout this document unless otherwise provided for.

⁵ Defined in Article 27-2.6 of the Financial Instruments and Exchange Act. The same is applied throughout this document.

⁶ Defined in Article 27-2.8 of the Financial Instruments and Exchange Act. The same is applied throughout this document.

⁷ Defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that persons provided for in Article 3.2 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2.7(i) of the Financial Instruments and Exchange Act. The same is applied throughout this document.

⁸ Defined in Article 27-2.1 of the Financial Instruments and Exchange Act.

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. The Acquirer’s Statement and the Acquisition Document set out in (c) below must be written in Japanese.

(c) Request to the Acquirer for the Provision of Information

The Company will provide the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, 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 (the “Acquisition Document”), which includes the information described in each item of the list below (“Essential Information”).

If the Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Note 9⁹ and business backgrounds and other matters regarding members of the Independent Committee at the time of the Renewal areas described in Note 10¹⁰). If the Board of Directors

⁹ The outline of the rules of the Independent Committee is set out as follows:

- The Independent Committee will be established by resolution of the Board of Directors.
- There will be no less than three members in the Independent Committee, and the Board of Directors shall elect the members from (i) outside directors of the Company, (ii) outside audit & supervisory board members of the Company, or (iii) other outside experts, in each case someone who is independent from the management that executes the business of the Company. However, such experts must be experienced corporate managers, former government employees, parties with knowledge of the investment banking industry, parties with knowledge of the Company’s business, lawyers, certified public accountants, researchers whose research focuses on the Companies Act or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating the experts to exercise their duty of care to the Company or a similar provision.
- Unless otherwise determined by a resolution of the Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the Meeting. However, the term of office of any member of the Independent Committee who is an outside director or outside audit & supervisory board members of the Company will end at the same time when they cease to be an outside director or outside audit & supervisory board member (except in the case of their re-appointment). The term of office of a member of the Independent Committee who is elected as a substitute for a member of the Independent Committee who retires before the expiration of the term will be until the expiration of the term of office of the retiring member of the Independent Committee.
- The Independent Committee will make decisions or take any other measures as prescribed regarding the matters listed below.
 - (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
 - (b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.
 - (c) Any other matters that are for determination by the Board of Directors in respect to which it has consulted the Independent Committee.
- As a general rule, resolutions of meetings of the Independent Committee shall pass with a majority when all of the members of the Independent Committee are in attendance (including attendance via video conference or telephone conference). However, in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the Independent Committee are in attendance.

¹⁰ Mr. Gorou Kamino, Mr. Yutaka Kitamura, and Mr. Tatsuki Nagano are scheduled to be elected as the members of the Independent Committee upon approval of the Proposal. Their profiles are as follows:

Gorou Kamino:

April, 1983	Entered Mitsui Trust and Banking Co., Ltd. (the predecessor of The Sumitomo Mitsui Trust Bank, Limited)
August, 1990	Entered Chubu Gas Co., Ltd.

and the Independent Committee determine that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request that the Acquirer additionally provide information. In such case, the Acquirer should additionally provide such information within the relevant time limit.

- (i) 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

May, 1995	Entered Gastec Service Inc. and appointed as Corporate Planning Department Chief
December, 1995	Appointed as Outside Director of Toyohashi Cable Network Inc. (current position)
August, 2000	Appointed as President CEO of Gastec Service Inc. (current position)
May, 2002	Appointed as President CEO of Sala Corporation (current position)
June, 2002	Appointed as Outside Director of System Location Co., Ltd.
January, 2004	Appointed as Outside Director of Sala House Co., Ltd. (current position)
March, 2006	Appointed as Chief Executive Officer of Chubu Gas Co., Ltd.
February, 2007	Appointed as Chairperson of Sala Cars Japan Co., Ltd. (current position)
February, 2007	Appointed as Director of Tosei Corporation (current position)
October, 2009	Appointed as Outside Director of Japan Post Holdings Co., Ltd.
March, 2012	Appointed as President CEO of Chubu Gas Co., Ltd. (current position)
June, 2012	Appointed as Outside Director of Musashi Seimitsu Industry Co., Ltd. (current position)
June, 2014	Appointed as Outside Director of Nippon Venture Capital Co., Ltd. (current position)

*Mr. Gorou Kamino is an outside director as set out in Article 2, Item 15 of the Companies Act.

Mr. Kamino does not have any special interest in the Company and there is no business relationship between Mr. Kamino and the Company.

Yutaka Kitamura:

April, 1972	Entered Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)
May, 1996	Appointed as Branch Manager of Singapore Branch of Yasuda Trust & Banking Co., Ltd.
October, 1998	Appointed as Manager of the First Credit Division of Yasuda Trust & Banking Co., Ltd.
October, 1999	Appointed as Branch Manager of Niigata Branch of Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)
March, 2005	Appointed as Full-Time Audit & Supervisory Board Member of Nippon Carbon Co., Ltd.
May, 2010	Appointed as Full-Time Advisor of J-COACH Corporation
June, 2010	Appointed as Full-Time Audit & Supervisory Board Member of J-COACH Corporation
February, 2013	Appointed as Full-Time Audit & Supervisory Board Member of Tosei Corporation (current position)
February, 2013	Appointed as Outside Audit & Supervisory Board Member of Tosei Community Co., Ltd. (current position)

* Mr. Yutaka Kitamura is an outside audit & supervisory board member as set out in Article 2, Item 16 of the Companies Act. Until 2005, Mr. Kitamura served as the executive officer of Mizuho Trust & Banking Co., Ltd. with which the Company has business relations. However, taking into consideration that economic dependence of the Company on Mizuho Trust & Banking Co., Ltd. is low in light of the size of business transactions, etc., the Company determines that Mr. Kitamura's former position does not affect his independence as a member of the Independent Committee of the Company.

Tatsuki Nagano:

April, 1983	Entered Chuo Trust and Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited)
July, 1995	Appointed as Financial Planning Chief of Corporate Planning Dept. at headquarters of The Chuo Mitsui Trust and Banking Co., Ltd.
July, 2000	Appointed as Management Director of RG Asset Management Pte. Ltd.
July, 2004	Appointed as Director of Reference Group Holdings Ltd.
August, 2004	Appointed as Representative Director of RG Asset Management Services Co., Ltd. (the predecessor of The RG Asset Management K.K.)
February, 2012	Appointed as Audit & Supervisory Board Member of Tosei Corporation
April, 2013	Appointed as Director of RG Asset Management Services Limited (BVI)
April, 2013	Appointed as Director and Representative Partner of RG Asset Management Services Limited (HK) (current position)
June 2014	Appointed as Director of System Location, Co., Ltd. (current position)

*Mr. Tatsuki Nagano is an outside audit & supervisory board member as set out in Article 2, Item 16 of the Companies Act. Mr. Nagano does not have any special interest in the Company and there is no business relationship between Mr. Nagano and the Company.

transactions) of the Acquirer and its group (including Joint Holders¹¹, 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^{12,13}).

- (ii) 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).
- (iii) The amount and basis for the calculation of the purchase price of the Acquisition (including assumptions and the like).
- (iv) 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).
- (v) Details of communications regarding the Acquisition with a third party (if any).
- (vi) Post-Acquisition management policy, administrative organization, business plan, capital, dividend and asset management policies for the Company and the Company group.
- (vii) 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.
- (viii) Specific measures to prevent conflicts of interests between the Acquirer and other shareholders in the Company.
- (ix) Any other information that the Independent Committee reasonably considers necessary.

(d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(i) Request to the Board of Directors for the Provision of Information

If the Acquirer submits the Acquisition Document and any additional information that the Independent Committee requests (if any), the Independent Committee may set a reply period (up to sixty days as a general rule) taking into account the necessary time for the Board of Directors to collect information and consider corporate valuation and other matters (including consideration by third-party experts as necessary) and request that the Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information that the Independent Committee considers necessary.

(ii) 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 as set out in (i) above) the Board of Directors (the period for information collection and consideration by the Independent Committee is hereinafter referred to as the "Independent

¹¹ Defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including persons deemed as a Joint Holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including persons who are deemed a Joint Holder by the Board of Directors). The same is applied throughout this proposal.

¹² Defined in Article 9.5 of the Order of the Enforcement of the Financial Instruments and Exchange Act.

¹³ If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.

Committee Consideration Period”). 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.

In order to ensure that the Independent Committee’s decision contributes to the Company’s corporate value and, in turn, the common interests of its shareholders, the Independent Committee may, at the cost of the Company, obtain advice from independent third parties (including financial advisers, attorneys, certified public accountants, tax accountants, consultants or any other experts). If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(e) Recommendation by the Independent Committee

The Independent Committee will make recommendations to the Board of Directors as follows based on the abovementioned procedures.

(i) Recommendation for the Triggering of the Plan

If the Independent Committee determines that the Acquisition falls under any of the trigger events set out below in (3), ‘Requirements for the Gratis Allotment of Stock Acquisition Rights’ (collectively “Trigger Event”) arises with respect to the Acquisition, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) ‘Outline 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. If it is concerned that an Acquisition may fall under the Trigger Event (2) set out below in section 2. (3), ‘Requirements for the Gratis Allotment of Stock Acquisition Rights,’ the Independent Committee may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to confirming the shareholders’ intent in advance.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events in (A) or (B) below applies, it may make a new recommendation that (i) on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Stock Acquisition Rights, the Company should suspend the gratis allotment of Stock Acquisition Rights, or (ii) from the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights, the Company should acquire the Stock Acquisition Rights for no consideration.

(A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.

(B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the recommendation decision was made.

If there is a concern that an Acquisition may fall under any of the Trigger Events set out in items (b) through (e) in section 2. (3) below, ‘Requirements for the Gratis Allotment of Stock Acquisition Rights’, ‘Trigger Events (2)’ below, the Independent Committee may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to obtaining the approval of the general meeting of shareholders in advance.

(ii) Recommendation for the Non-Triggering of the Plan

If the Independent Committee determines the Acquisition does not fall under either Trigger Event, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors, regardless of whether the Independent Committee Consideration Period has ended.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts or other matters on which the recommendation decision was made and a Trigger Event arises, the Independent Committee may make a new recommendation that the Company should implement the gratis allotment of Stock Acquisition Rights.

(iii) Extension of the Independent Committee Consideration Period

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights during the initial Independent Committee Consideration Period, the Independent Committee may, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, consideration of an alternative proposal and discussion and negotiation with the Acquirer, extend the Independent Committee Consideration Period (in principle up to 30 days in total).

If the Independent Committee Consideration Period is extended because of the above resolution, the Independent Committee will continue to collect information, deliberate and perform similar activities, and use its best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(f) Resolutions by the Board of Directors

If any recommendation of the Independent Committee described above is made, the Board of Directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights respecting that recommendation to the maximum extent. If a meeting of shareholders is convened in accordance with (g) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

(g) 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 in accordance with (e)(i) above, 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.

(h) Information Disclosure

When operating the Plan, 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 (including the fact that the Acquirer's Statement and Acquisition Document have been submitted and the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended, as well as the extended period and the reason for the extension), or 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, in accordance with the applicable laws and ordinances or the regulations of the financial instruments exchange.

(3) 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. As described above in (e) of (2), 'Procedures for Triggering the Plan,' 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.
 - (i) 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.
 - (ii) 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.
 - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
 - (iv) 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.
- (4) Outline of the Gratis Allotment of Stock Acquisition Rights

The following is an outline of the gratis allotment of Stock Acquisition Rights scheduled to be implemented under the Plan.

(a) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the same number as the most recent total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors or general

meeting of shareholders relating to the gratis allotment of Stock Acquisition Rights (the “Gratis Allotment Resolution”).

(b) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights to shareholders, other than the Company, who are recorded in the Company’s last register of shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for each share in the Company held.

(c) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company¹⁴ to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) will, in principle, be one share.

(e) Amount to be Contributed upon Exercise of Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the amount equivalent to one-half of the fair market value of one share in the Company. “Fair market value” means an amount equivalent to the average closing price (including quotations) for regular transactions of the common stock of the Company on the Tokyo Securities Exchange on each day during the three-month period prior to the Gratis Allotment Resolution (excluding the days on which trades are not made), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period is referred to as the “Exercise Period Commencement Date”), and the period will, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution.

(g) Conditions for Exercise of Stock Acquisition Rights

Except where any exceptional event¹⁵ occurs, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below are collectively be referred to as “Non-Qualified Parties”):

- (I) Specified Large Holders;¹⁶

¹⁴ Even if the Company becomes a company issuing class shares (Article 2, Item 13 of the Companies Act) in the future, both (i) the shares in the Company to be delivered upon exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for acquisition of Stock Acquisition Rights are the same class of shares of common stock that have been issued at the time of the Meeting.

¹⁵ Specifically, the Company intends to set out that an “exceptional event” means when (x) the Acquirer cancels or revokes the Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so and (y) the Acquirer’s shareholding ratio determined by the Board of Directors (when calculating the shareholding ratio, Non-Qualified Parties other than the Acquirer and its Joint Holders are deemed to be the Acquirer’s Joint Holders, and Stock Acquisition Rights held by Non-Qualified Parties, the conditions of which have not been satisfied, are excluded) (the “Non-Qualified Parties Shareholding Ratio”) falls below the lower of (i) the Non-Qualified Parties’ Shareholding Ratio before the Acquisition, or (ii) 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Stock Acquisition Rights to the extent that the number of shares to be issued or delivered upon exercise of the Stock Acquisition Rights is up to the number of shares disposed of and to the extent of the ratio under either (i) or (ii) above. Detailed conditions and procedures for exercise of Stock Acquisition Rights by Non-Qualified Parties will be determined separately by the Board of Directors.

¹⁶ “Specified Large Holder” means, in principle, a party who is a holder of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Board of Directors); provided, however, that a party that the Board of Directors

- (II) Joint Holders of Specified Large Holders;
- (III) Specified Large Purchasers;¹⁷
- (IV) Persons having a Special Relationship with Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Board of Directors; or
- (VI) Any Affiliated Party¹⁸ of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company subject to compliance with applicable laws and ordinances as set out in (ii) of paragraph (i) below, ‘Acquisition of the Stock Acquisition Rights by the Company’). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, may not exercise the Stock Acquisition Rights.

(h) Assignment of Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Board of Directors.

(i) Acquisition of Stock Acquisition Rights by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Stock Acquisition Rights for no consideration.
- (ii) On a day that falls on a date separately determined by the Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date separately determined by the Board of Directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties¹⁹, the Company may, on a day falling on a date determined by the Board of

recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this proposal.

¹⁷ “Specified Large Purchaser” means, in principle, a person who makes a public announcement of purchase, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same is applied throughout this Note 17) of share certificates, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same is applied throughout this Note 17) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7.1 of the Order of the Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a person having a special relationship (including any party who is deemed to fall under the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of shareholders or certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same is applied throughout this proposal.

¹⁸ An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as defined in Article 3.3 of the Enforcement Regulations of the Companies Act) of other corporations or entities.

¹⁹ For example, the case of a person who initially had a Special Relationship with a Specified Large Purchaser but cancels the

Directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

- (j) Delivery of Stock Acquisition Rights in Case of Merger (*gappei*), Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

- (k) Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

- (l) Other

In addition to the above, the details of the Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

- (5) Effective Period, and Abolition, Revision or Amendment of the Plan

The effective period of the Plan (the “Effective Period”) will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the Meeting.

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.

Further, the Board of Directors may revise or amend the Plan even during the Effective Period of the Plan in cases where any law, ordinance, or regulations or rules of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, or cases where the revision or amendment does not cause any disadvantage to the Company’s shareholders subject to the approval of the Independent Committee.

If the Plan is abolished, revised, amended or the like, the Company will promptly disclose facts including the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

- (6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of January 23, 2015. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

relationship with the Specified Large Purchaser after the triggering of the Plan and thereby is no longer a Non-Qualified Party.

Proposal 5: Final Payments of Retirement Benefits to Retiring Officers upon Termination of Retirement Benefits Plan for Officers

The Company resolved at a meeting of the Board of Directors held on January 23, 2015 to terminate the Retirement Benefits Plan for Officers as part of a revision of the remuneration system for officers upon the conclusion of this General Meeting of Shareholders.

Accordingly, in order to recompense the 5 Directors and 4 Audit & Supervisory Board Members currently in office for their service up to the conclusion of this General Meeting of Shareholders, the Company proposes that final payments of retirement benefits corresponding to their respective terms of office be made to them within the due amount, based upon standards prescribed by the Company.

The Company requests that this payment be made at the time of the respective retirement of each Director and Audit & Supervisory Board Member, and that the actual amount of retirement benefits paid to each of the Directors and Audit & Supervisory Board Members and the method of this payment be entrusted to the Board of Directors with regard to Directors, and to deliberations by the Audit & Supervisory Board Members with regard to Audit & Supervisory Board Members.

Below is a brief history of the officers who will receive the final payment.

Name	Career summary	
Seiichiro Yamaguchi	Aug. 1990	Director of the Company
	Jun. 1994	President and Representative Director of the Company (current position)
	Jul. 2004	President and CEO of the Company (current position)
Katsuhito Kosuge	Jan. 1996	Director of the Company
	Dec. 2000	Managing Director of the Company
	Feb. 2006	COO and Senior Executive Officer of the Company (current position)
Noboru Hirano	Oct. 2002	Managing Director of the Company
	Feb. 2006	CFO and Senior Executive Officer of the Company (current position)
Goro Kamino	Feb. 2007	Outside Director of the Company (current position)
Kenichi Shotoku	Feb. 2012	Outside Director of the Company (current position)
Yasuhiro Honda	Apr. 2003	Audit & Supervisory Board Member (full-time) (current position)
Yutaka Kitamura	Feb. 2013	Audit & Supervisory Board Member (full-time) (current position)
Tatsuki Nagano	Feb. 2012	Audit & Supervisory Board Member (current position)
Osamu Doi	Feb. 2013	Audit & Supervisory Board Member (current position)

Proposal 6: Determination of the Amount and Other Details of Remuneration Provided as Stock Options to Directors

With regard to the amount of remuneration for directors of the Company (“Directors”), it was approved at the 57th Ordinary General Meeting of Shareholders held on February 27, 2007 that the total is set at ¥240 million or less per year (providing that this amount does not include salary portion to a director concurrently serving as employee). The Company requests that shareholders approve an issuance of stock acquisition rights as stock options within the range of ¥36 million per year in a framework as remuneration, etc. to be paid to Directors that is separate to the currently applied remuneration framework.

The amount of remuneration as stock options shall be the amount obtained by multiplying the fair value per one stock acquisition right to be allotted by the total number of stock acquisition rights to be allotted.

The number of Directors to whom this proposal shall apply is five persons (of whom two are Outside Directors).

1. Reason for issuing stock acquisition rights as remuneration for Directors

Stock acquisition rights shall be issued as stock options to Directors for the purpose of further incentivizing Directors to work for performance improvement and corporate value enhancement of the Company.

2. Details of stock acquisition rights

(1) Class and number of shares delivered upon exercise of stock acquisition rights

The upper limit on the total number of shares that Directors are entitled to have delivered upon exercise of the stock acquisition rights issued within the period ending one year after the date of the ordinary general meeting of shareholders of the Company (the “Ordinary General Meeting of Shareholders”) for each business year shall be 40,000 ordinary shares of the Company, and the number of shares underlying each of the stock acquisition rights (the “Number of Shares Granted”) shall be 100 shares.

In the event that the Company conducts a share split (including allotment of shares without contribution) or a consolidation of shares of the ordinary shares, the number of shares delivered upon exercise of the stock acquisition rights shall be adjusted according to the following formula. However, the relevant adjustment shall only be made to the number of shares delivered upon exercise of stock acquisition rights that have not yet been exercised as of the relevant point in time. Any fraction less than one share resulting from this adjustment shall be rounded down.

$$\begin{array}{l} \text{Number of shares delivered} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares delivered} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of share split} \\ \text{or consolidation} \end{array}$$

Furthermore, in the event that the Company conducts a merger, a company split or a share exchange, and in any event equivalent to these in which it becomes necessary to adjust the number of the shares delivered upon exercise of stock acquisition rights, the Company shall make the adjustment it deems necessary.

(2) Total number of stock acquisition rights

The upper limit on the total number of stock acquisition rights issued within the period ending one year after the date of the Ordinary General Meeting of Shareholders for each business year shall be 400 units.

(3) Amount to be paid in upon allotment of stock acquisition rights

The amount to be paid in upon the allotment of one stock acquisition right shall be an amount stipulated at a meeting of the Board of Directors based on the fair price of the stock acquisition right calculated when it is allotted.

In addition, the person to whom the stock acquisition right is allotted shall, in place of a cash payment, offset the payment obligation with remuneration receivable from the Company.

(4) Value of property to be contributed upon exercise of stock acquisition rights

The property to be contributed upon exercise of stock acquisition rights shall be money, and the value shall be an amount equal to the monetary value to be paid for one share to be delivered upon the exercise of the stock acquisition rights (“Exercise Value”) multiplied by the Number of Shares Granted.

The Exercise Value is the amount obtained by multiplying the average value of the closing price of the ordinary shares of the Company at the Tokyo Stock Exchange on each day (excluding any day on which no trade is made) during the month prior to the month containing the date on which the allotment of stock acquisition rights is conducted (hereinafter the “Allotment Date”) by 1.05 (resulting any fraction less than one (1) yen shall be rounded up). However, in the event that such amount obtained is less than the closing price on the Allotment Date (the closing price of the nearest preceding day if no trade is made on the day), the Exercise Price shall be the closing price.

In the event that it becomes appropriate that the Company changes the Exercise Price due to a share split or a consolidation of shares, in principle, the Exercise Price shall be adjusted as necessary (any fraction less than one (1) yen arising from such adjustment shall be rounded up).

(5) Period during which stock acquisition rights may be exercised

This period shall be a period stipulated at a meeting of the Board of Directors, which shall start on the date on which two years have elapsed from the date of the resolution of the Company’s Board of Directors determining the subscription requirements for the stock acquisition rights, and shall be within the range of three years.

(6) Terms and conditions for exercising stock acquisition rights

(a) Persons with 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 persons with stock acquisition rights who no longer have the rank of Director due to retirement on the expiration of period in office or due to resignation at the request of the Company.

(b) Inheritance of stock acquisition rights shall not be permitted.

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

(7) Restriction on the transfer of stock acquisition rights

Any transfer of the stock acquisition rights shall be subject to the approval of the Board of Directors.

(8) Other details of stock acquisition rights

Other details shall be stipulated at the meeting of the Board of Directors at which the subscription requirements of the stock acquisition rights are determined.

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 Tuesday, February 24, 2015 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)