Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the second quarter of the 68th term)

from March 1, 2017
to May 31, 2017

TOSEI CORPORATION

4-2-3, Toranomon, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on July 10, 2017. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Filing to:	Director-General of the Kanto Local Finance Bureau
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Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	Tosei Corporation
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	67th term First six months	68th term First six months	67th term
Accounting period	From December 1, 2015 to May 31, 2016	From December 1, 2016 to May 31, 2017	From December 1, 2015 to November 30, 2016
Revenue (¥ thousand) [Second quarter of the current fiscal year]	30,655,217 [17,128,007]	26,360,085 [11,682,692]	49,818,113
Profit before tax (¥ thousand)	7,240,317	5,857,432	8,450,048
Profit attributable to owners of the parent (¥ thousand) [Second quarter of the current fiscal year]	4,743,981 [2,132,684]	3,931,865 [1,431,294]	5,547,469
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	4,728,762	3,938,036	5,509,307
Total equity (¥ thousand)	40,206,413	43,908,273	41,010,083
Total assets (¥ thousand)	112,030,360	123,366,099	121,276,292
Basic earnings per share (¥) [Second quarter of the current fiscal year]	98.25 [44.17]	81.43 [29.64]	114.89
Diluted earnings per share (¥)	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	35.9	35.6	33.8
Net cash from (used in) operating activities (¥ thousand)	(870,073)	2,497,784	(7,472,487)
Net cash from (used in) investing activities (¥ thousand)	(5,455,769)	535,264	(8,193,818)
Net cash from (used in) financing activities (¥ thousand)	10,166,443	(1,739,810)	18,522,496
Cash and cash equivalents at end of period (¥ thousand)	22,627,532	22,934,408	21,640,866

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. Diluted earnings per share are not presented because there were no potential shares that have dilutive effects.
4. The above indexes are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the six months ended May 31, 2017, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

As for changes in significant subsidiaries and affiliates, CSC (trade name changed from "Crystal Sports Club" as of December 1, 2016) underwent a company split and the Company sold shares of the newly established Crystal Sports Club. With respect to changes in principal subsidiaries and affiliates, KS Properties Co., Ltd. was acquired through M&A transaction and have been included in the scope of consolidation.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the six months ended May 31, 2017. In addition, there were no significant changes in “Business and other risks” described in the annual securities report for the previous fiscal year.

2. Important operational contracts, etc.

No important operational contracts, etc. were determined or entered into during the second quarter of the current fiscal year.

3. Analysis of financial position, operating results and cash flows

Any forward-looking statements included in the following descriptions are based on the best estimates or judgment of the Tosei Group as of May 31, 2017.

(1) Analysis of operating results

During the six months ended May 31, 2017, the Japanese economy remained on a moderate recovery track supported by favorable corporate earnings. Although it is necessary to keep in mind the uncertain prospects of the global economy and the policy trends of the United States and China, this moderate recovery is expected to continue going forward, backed by an improving employment and income environment and firm personal consumption.

In the real estate industry where the Tosei Group operates, transactions through J-REITs and private placement funds were active against the backdrop of a favorable financing environment. In addition, transactions by overseas investors, which had been in a declining trend, also showed signs of recovery, and commercial real estate transactions from January 2017 to March 2017 increased 15% year on year to ¥1.2 trillion. Despite a continued decrease in investment returns due to a rise in property prices, as well as partial signs of overheated transactions, investors’ desire to acquire property remains high (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, the number of units sold in the fiscal year ended March 31, 2017 fell 4.4% year on year to 36,450. The average sales price remained at a high of ¥55.41 million due to a surge in construction costs, and the contract rate for the first month was 68.5%, which is below the 70% threshold from which market conditions are viewed as favorable. In the Tokyo metropolitan area build-for-sale detached house market, housing starts for the fiscal year ended March 31, 2017 rose 7.3% year on year to 61,284. Demand for detached houses, which are perceived to be undervalued compared to newly-built condominiums, continues to be strong, with low-interest housing loans also driving demand (according to a survey by a private research institution and the Ministry of Land, Infrastructure, Transport and Tourism data).

In the leasing market, there is strong office expansion and relocation demand among office buildings backed by robust corporate earnings. The vacancy rate in Tokyo’s five business wards declined 0.84 percentage points year on year to 3.39%, and the average asking rent was ¥18,774 per tsubo (1 tsubo = 3.3m2), a 3.95% increase year on year. The average asking rent is rising at a gradual pace ahead of an upsurge in the supply of large-scale office buildings from 2018. Among apartments, the average asking rent for a family-type apartment within Tokyo’s 23 wards in April 2017 rose only slightly to ¥10,979 per tsubo, a 0.4% increase year on year (according to a survey by a private research institution).

In the real estate securitization market, the total value of assets under management in the J-REIT market as of December 31, 2016 increased ¥1.5 trillion year on year to ¥15.5 trillion. In addition, the total value of assets under management in major private placement funds increased ¥0.8 trillion year on year to ¥15.6 trillion. Properties were proactively acquired through both J-REITs and private placement funds, and the market scale is expanding (according to a survey by a private research institution).

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

As a result, consolidated revenue for the six months ended May 31, 2017 totaled ¥26,360 million

(down 14.0% year on year), operating profit was ¥6,241 million (down 18.7%), profit before tax was ¥5,857 million (down 19.1%), and profit for the period was ¥3,931 million (down 17.1%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2017, the segment sold 37 properties it had renovated, including T's garden Urayasu (Urayasu-shi, Chiba), T's garden UrayasuⅡ (Urayasu-shi, Chiba), Kamiosaki 3cho-me Building (Shinagawa-ku, Tokyo), Onoecho 6cho-me Building (Yokohama-shi, Kanagawa), Kishino Building (Toshima-ku, Tokyo), NOUER Nakamachidai (Yokohama-shi, Kanagawa), Demeure Sagamihara (Sagamihara-shi, Kanagawa) In addition, the segment sold 22 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Renai Kamakura Ueki (Kamakura-shi, Kanagawa).

During the six months ended May 31, 2017, it also acquired a total of 24 income-generating office buildings and apartments and two land lots for renovation and sales purposes.

As part of the acquisition, our company acquired KS Properties, company holds income properties mainly in Suginami-ku, Tokyo, through M&A transaction and converted it into consolidated subsidiaries.

As a result, revenue in this segment was ¥17,948 million (up 16.4% year on year) and the segment profit was ¥4,800 million (up 32.3%).

Development Business

During the six months ended May 31, 2017, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 53 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama) and THE Palms Court Machida Tsurukawa (Mitaka-shi, Tokyo)

During the six months ended May 31, 2017, it also acquired a land lot for hotel project, a land for condominium project and a land lot for 18 detached housings.

As a result, revenue in this segment was ¥2,144 million (down 78.8% year on year) and the segment loss was ¥219 million (in comparison with segment profit of ¥3,659 million in the same period of the previous fiscal year).

During the six months ended May 31, 2017, all the segment revenue came from detached houses sale. On the other hand, in the same period of the previous fiscal year the segment sold two commercial facilities. For this reason, the segment revenue and profit decreased.

Rental Business

During the six months ended May 31, 2017, while the segment sold 22 buildings of its inventory assets held for leasing purposes, it newly acquired 17 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥2,988 million (up 23.6% year on year) and the segment profit was ¥1,303 million (up 29.9%).

Fund and Consulting Business

During the six months ended May 31, 2017, while ¥17,625 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥68,572 million was added to the balance of Assets under management ¥448,186 for the end of the previous fiscal year, due mainly to new asset management contracts of large projects the segment obtained. The balance of assets under management as of May 31, 2017, was ¥499,133 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥1,641 million (up 52.3% year on year) and the segment profit was ¥915 million (up 112.6%).

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

Property Management Business

During the six months ended May 31, 2017, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 634 as of May 31, 2017, an increase of 40 properties from May 31, 2016, with that total comprising 385 office buildings, hotels, schools and other such properties, and 249 condominiums and apartments.

As a result, revenue in this segment was ¥1,636 million (up 13.9% year on year) and segment profit was ¥134 million (up 91.4%).

Other

For the six months ended May 31, 2017, there was no revenue in this segment (in comparison with revenue of ¥201 million in the same period of the previous fiscal year) and the segment profit was ¥1 million (in comparison with segment loss of ¥23 million in the same period of the previous fiscal year).

(2) Analysis of financial position

As of May 31, 2017, total assets were ¥123,366 million, an increase of ¥2,089 million compared with November 30, 2016, while total liabilities were ¥79,457 million, a decrease of ¥808 million.

Increase in total assets were primarily due to increase in inventories. Decrease in liabilities were due to decrease in accrued income tax.

Total equity increased by ¥2,898 million to ¥43,908 million, mainly due to an increase in retained earnings and payment of cash dividends.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter “cash”) as of May 31, 2017 totaled ¥22,934 million, up ¥1,293 million compared with November 30, 2016.

The cash flows for the six months ended May 31, 2017 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥2,497 million (¥870 million used in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥5,857 million, as well as an increase in inventories of ¥1,182 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥2,155 million.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥535 million (¥5,455 million used in the same period of the previous fiscal year). This is primarily due to payments of loans receivable of ¥1,085 million and collection of loans receivable of ¥1,675 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥1,739 million (¥10,166 million provided by the same period of the previous fiscal year). This mainly reflects ¥14,053 million in the repayments of non-current borrowings and ¥1,060 million in cash dividends paid, despite ¥14,505 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

During the six months ended May 31, 2017, there was no significant change in issues to be addressed by the Tosei Group.

The Company has set the basic policy regarding the persons who control the decision-making on the financial and business policies of the Company. The contents of basic policy (matters set forth in Article 118, item 3 of the Ordinance for Enforcement of the Companies Act) are as follows:

a. Contents of 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.

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 five 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. Overview of special measures to realize the basic policy

Under the medium-term management plan called "Advancing Together 2017" (the targeted period of the plan is three years from December 2014 to November 2017), the Company group aims to further strengthen the business infrastructure by expanding and developing of the existing five business areas and considering its advance to peripheral areas of business, to build optimum corporate governance for expansion of the Company group and increase of the employees which are entailed in expansion of the business, and to establish efficient organization management structure. Further, the Company group will emphasize the cultivation of the most valuable asset of the Company group, i.e. the human resources to increase satisfaction of the employees of the Company group. As the Basic Policy in the medium-term management plan for the further growth of the Company group, the Company group is determined to establish the original and distinctive "Tosei brand" by providing products ensuring high customer satisfaction and high-quality services. Based on these policies, the Company group is dedicated to redefine existing ideas with the spirit of challenge and advance as the risk-taking group of companies, to aim "creation of new values and sensation as the truly globally-minded and promising professionals".

The Company group has previously appointed multiple outside directors (two members), invited all Audit & Supervisory Board Members (four members) from outside the company, and has notified all of the above six outside directors and Audit & Supervisory Board Members as "independent directors and/or Audit & Supervisory Board Members" in accordance with the "Principles of Corporate

Governance for Listed Companies" of the Tokyo Stock Exchange. Also, the Company group has reinforced the business execution function by the introduction of the executive officer system, and the establishment of the corporate governance board, and will continue to endeavor to further strengthen corporate governance. Specifically, the Company group will focus on putting into practice actions based on a high-level awareness of compliance through raising awareness from the level of "role model" to that of "ideal" in accordance with the Compliance Principles of the Company, thorough implementation of risk management by correctly understanding and analyzing risks involved in corporate activities, continuous performance of accountability to various stakeholders including investors by promptly publicly disclosing correct corporate information under the spirit of fair disclosure, and other efforts for strengthening corporate governance.

c. Overview of measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate according to the basic policy

The plan is a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the above basic policy, and its objective is to ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The plan stipulates procedures that must be followed in any cases of purchase, etc. of share certificates, etc. of the Company ((i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. *(kabuken tou hoyuu wariai)*of a holder *(hoyuusha)* totaling at least 20% of the share certificates, etc. issued by the company; or (ii)a tender offer *(koukai kaitsuke)* that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. and the ownership ratio of share certificates, etc. of a person having a special relationship totaling at least 20% of the share certificates, etc. issued by the Company; or (iii) any similar action to (i) or (ii) above)

In practical terms, the acquirer must provide the Company a statement of undertaking (acquirer's statement) and an acquisition document that includes essential information, etc. before making the acquisition, etc.

Upon receiving these documents, the independent committee, while obtaining independent expert advice, will conduct its consideration of the acquisition terms; collection of information on materials such as the management plans and business plans of the acquirer and the Company's board of directors and comparison thereof; consideration of any alternative plan presented by the Company's board of directors, and the like; and discussion and negotiation with the acquirer. The Company will disclose information in a timely manner.

When (i) the acquisition is not in compliance with the procedures prescribed in the plan or (ii) it threatens to cause obvious harm to the corporate value of the Company, and, in turn, to the common interests of shareholders, (iii) and it is reasonable to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the acquirer to exercise the rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer. The Company's board of directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of the gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. If the procedures for the plan have commenced, the acquirer must not effect an acquisition until and unless the Company's board of directors resolves not to trigger the plan. The effective period of the plan expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years after the conclusion of the 65th Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

d. Decisions by the Company's board of directors regarding specific measures and reasons therefor

Company's board of directors deems that the new medium-term management plan and other measures such as the efforts to enhance the corporate value and the strengthening of corporate governance were

established as specific measures to continuously and sustainably enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these are truly in accordance with the basic policy, not detrimental to the common interests of the Company's shareholders and not for the purpose of maintaining the positions of the Company's corporate officers.

In addition, the Company's board of directors deems that the plan is not detrimental to the common interests of the Company's shareholders, not for the purpose of maintaining the positions of the Company's corporate officers, and in accordance with the basic policy based on the following reasoning: approval from the general meeting of shareholders must be obtained for its renewal; its effective period is stipulated as a maximum of three years and it can be abolished at any time by the resolution of the Company's board of directors; an independent committee, which is composed of members who are independent from the management of the Company, has been established; in the event that the plan's countermeasures are triggered, the Company must obtain a resolution by the independent committee when making a decision for triggering the countermeasures in the plan, and the plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(5) Research and development activities

No item to report.

III. Filing company

1. Information on the Company (Tosei)'s shares, etc.

(1) Total number of authorized shares, etc.

a. Total number of authorized shares

Class	Total number of authorized shares
Ordinary shares	150,000,000
Total	150,000,000

b. Number of issued shares

Class	Number of issued shares (Shares: as of May 31, 2017)	Number of issued shares (Shares: as of the date of filing: July 10, 2017)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,284,000	48,284,000	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,284,000	48,284,000	–	–

(2) Status of stock acquisition rights

No item to report.

(3) Exercise of bond certificates with stock acquisition rights with exercise price amendment clause

No item to report.

(4) Details of rights plan

No item to report.

(5) Trends in total number of issued shares, share capital, etc.

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From March 1, 2017 to May 31, 2017	–	48,284,000	–	6,421,392	–	6,504,868

(6) Status of major shareholders

(As of May 31, 2017)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500	26.68
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.42
KBL EPB S.A 107704 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	43, Boulevard Royal, L-2955 Luxembourg (2-15-1 Konan, Minato-ku, Tokyo, Japan)	5,127,300	10.61
Government of NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	1,907,700	3.95
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	P.O.BOX 351 Boston Massachusetts 02101 U.S.A (2-15-1 Konan, Minato-ku, Tokyo, Japan)	1,804,300	3.73
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	1,266,600	2.62
Morgan Stanley & Co.LLC (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd. Securities Management Department)	1585 Broadway New York, New York 10036, U.S.A. (Otemachi Financial City South Tower 1-9-7 Otemachi, Chiyoda-ku Tokyo, Japan)	1,143,500	2.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	940,400	1.94
DFA INTL Small CAP Value Portfolio (Standing proxy: Citibank, N.A., Tokyo Branch)	Palisades West 6300,Bee Cave Road Building One Austin TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	512,600	1.06
Japan Trustee Services Bank, Ltd. (Trust Account No5)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	495,300	1.02
Total	–	32,083,200	66.44

Notes: The change report for the large shareholding report, which was made accessible to the public as of January 5, 2017, states that SPARX Asset Management Co., Ltd. held the following shares as of December 30, 2016. However, since the Company could not confirm the actual number of shares held by this company as of May 31 2017, the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	SPARX Asset Management Co., Ltd.
Address	Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo
Number of share certificates, etc. held (Share)	1,996,000
Holding ratio of share certificates, etc.	4.13%

2. The change report for the large shareholding report, which was made accessible to the public as of March 10, 2017, states that HALLEY SICAV held the following shares as of June 11, 2016. However, since the Company could not confirm the actual number of shares held by this company as of May 31 2017, the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	HALLEY SICAV
Address	4, Rue Jean Monnet L-2180 Luxembourg
Number of share certificates, etc. held (Share)	4,565,600
Holding ratio of share certificates, etc.	9.46%

(7) Status of voting rights

a. Issued shares

(As of May 31, 2017)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	–	–	–
Shares with full voting rights (Other)	Ordinary shares 48,281,400	482,814	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 2,600	–	–
Total number of issued shares	48,284,000	–	–
Voting rights owned by all shareholders	–	482,814	–

Note: The number of "Shares with full voting rights (Other)" includes 400 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes four units of voting rights related to shares with full voting rights in its name.

b. Treasury shares, etc.

(As of May 31, 2017)

Name of shareholders	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
–	–	–	–	–	–
Total	–	–	–	–	–

2. Status of officers

During the six months ended May 31, 2017, there was the following change in officers after the filing date of annual securities report for the previous fiscal year.

Change in appointments

Current position		Previous position		Name of officers	Date of change
Director	Director, Chief Financial Officer, and Senior Executive Officer of Administrative Division; in charge of Human Resource Department, and Chief Director of Human Resource Department	Director	Director, Chief Financial Officer, and Senior Executive Officer of Administrative Division,	Noboru Hirano	April 1, 2017

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the second quarter of the fiscal year ending November 30, 2017 (from March 1, 2017 to May 31, 2017) and for the first six months of the fiscal year ending November 30, 2017 (from December 1, 2016 to May 31, 2017) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2016	As of May 31, 2017
Assets			
Current assets			
Cash and cash equivalents	8	21,640,866	22,934,408
Trade and other receivables	8	3,531,880	3,324,170
Inventories		67,298,309	68,613,157
Other current assets		121,444	26,228
Total current assets		92,592,501	94,897,965
Non-current assets			
Property, plant and equipment		3,595,898	3,549,108
Investment properties		21,728,740	21,778,316
Intangible assets		96,612	86,582
Available-for-sale financial assets	8	1,441,167	1,338,627
Trade and other receivables	8	1,235,065	1,243,051
Deferred tax assets		557,392	443,532
Other non-current assets		28,914	28,914
Total non-current assets		28,683,790	28,468,133
Total assets		121,276,292	123,366,099
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	2,955,289	3,329,435
Borrowings	8	9,387,249	7,644,126
Current income tax liabilities		1,859,183	1,526,284
Provisions		450,030	273,124
Total current liabilities		14,651,752	12,772,971
Non-current liabilities			
Trade and other payables	8	4,349,965	3,972,885
Borrowings	8	60,772,064	62,257,313
Retirement benefits obligations		413,376	435,531
Provisions		79,049	19,123
Total non-current liabilities		65,614,455	66,684,853
Total Liabilities		80,266,208	79,457,825
Equity			
Share capital		6,421,392	6,421,392
Capital reserves		6,418,823	6,441,224
Retained earnings		28,120,304	30,989,922
Other components of equity		49,562	55,733
Total equity		41,010,083	43,908,273
Total liabilities and equity		121,276,292	123,366,099

(2) Condensed Consolidated Statement of Comprehensive Income

Six months ended May 31, 2017

(¥ thousand)

	Notes	Six months ended May 31, 2016	Six months ended May 31, 2017
Revenue	5	30,655,217	26,360,085
Cost of revenue		18,907,200	16,858,573
Gross profit		11,748,016	9,501,511
Selling, general and administrative expenses		3,983,010	3,402,246
Other income		134,843	160,145
Other expenses		224,615	17,604
Operating profit	5	7,675,234	6,241,805
Finance income		31,133	32,956
Finance costs		466,050	417,329
Profit before tax		7,240,317	5,857,432
Income tax expense		2,496,336	1,925,566
Profit for the period		4,743,981	3,931,865
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		(19,729)	302
Net change in fair values of available-for-sale financial assets		7,272	(6,026)
Net change in fair values of cash flow hedges		(2,762)	11,895
Subtotal		(15,218)	6,171
Other comprehensive income for the period, net of tax		(15,218)	6,171
Total comprehensive income for the period		4,728,762	3,938,036
Profit attributable to:			
Owners of the parent		4,743,981	3,931,865
Total comprehensive income attributable to:			
Owners of the parent		4,728,762	3,938,036
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	98.25	81.43
Diluted earnings per share (yen)	7	—	—

Second quarter ended May 31, 2017

(¥ thousand)

	Notes	Second quarter ended May 31, 2016	Second quarter ended May 31, 2017
Revenue	5	17,128,007	11,682,692
Cost of revenue		11,560,253	7,670,673
Gross profit		5,567,754	4,012,018
Selling, general and administrative expenses		1,845,187	1,611,068
Other income		4,651	12,858
Other expenses		179,484	23
Operating profit	5	3,547,733	2,413,784
Finance income		642	102
Finance costs		222,869	215,237
Profit before tax		3,325,506	2,198,648
Income tax expense		1,192,822	767,354
Profit for the period		2,132,684	1,431,294
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		(127)	15
Net change in fair values of available-for-sale financial assets		7,879	(22,251)
Net change in fair values of cash flow hedges		(1,504)	240
Subtotal		6,247	(21,995)
Other comprehensive income for the period, net of tax		6,247	(21,995)
Total comprehensive income for the period		2,138,932	1,409,298
Profit attributable to:			
Owners of the parent		2,132,684	1,431,294
Total comprehensive income attributable to:			
Owners of the parent		2,138,932	1,409,298
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	44.17	29.64
Diluted earnings per share (yen)	7	—	—

(3) Condensed Consolidated Statement of Changes in Equity

Six months ended May 31, 2016 (December. 1, 2015 – May 31, 2016)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2015		6,421,392	6,373,881	23,327,875	105,228	36,228,378
Profit for the period		—	—	4,743,981	—	4,743,981
Other comprehensive income		—	—	—	(15,218)	(15,218)
Total comprehensive income for the period		—	—	4,743,981	(15,218)	4,728,762
Dividends of surplus	6	—	—	(772,544)	—	(772,544)
Share-based payment		—	21,816	—	—	21,816
Balance at May 31, 2016		6,421,392	6,395,697	27,299,313	90,010	40,206,413

Six months ended May 31, 2017 (December. 1, 2016 – May 31, 2017)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2016		6,421,392	6,418,823	28,120,304	49,562	41,010,083
Profit for the period		—	—	3,931,865	—	3,931,865
Other comprehensive income		—	—	—	6,171	6,171
Total comprehensive income for the period		—	—	3,931,865	6,171	3,938,036
Dividends of surplus	6	—	—	(1,062,248)	—	(1,062,248)
Share-based payment		—	22,400	—	—	22,400
Balance at May 31, 2017		6,421,392	6,441,224	30,989,922	55,733	43,908,273

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Six months ended May 31, 2016	Six months ended May 31, 2017
Cash flows from operating activities			
Profit before tax		7,240,317	5,857,432
Depreciation expense		154,412	190,000
Increase (decrease) in provisions and retirement benefits obligations		(43,112)	(141,242)
Interest and dividend income		(31,133)	(32,956)
Interest expenses		466,050	417,329
Gain on sales of stocks of subsidiaries and affiliates		—	(123,505)
Loss on retirement of property, plant and equipment		4,308	—
Decrease (increase) in trade and other receivables		710,332	(93,616)
Decrease (increase) in inventories		(8,185,643)	(1,182,723)
Increase (decrease) in trade and other payables		(143,488)	(317,261)
Other, net		126,390	47,270
Subtotal		298,435	4,620,726
Interest and dividend income received		31,134	32,955
Income taxes paid		(1,199,642)	(2,155,898)
Net cash from (used in) operating activities		(870,073)	2,497,784
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		—	95,000
Purchase of property, plant and equipment		(15,547)	(6,350)
Purchase of investment properties		(1,650,882)	(193,111)
Purchase of intangible assets		(12,440)	(4,565)
Purchase of available-for-sale financial assets		(80,250)	—
Collection of available-for-sale financial assets		80,452	7,183
Proceeds from sales of available-for-sale financial assets		—	84,071
Payments of loans receivable		(1,200,000)	(1,085,000)
Collection of loans receivable		36	1,675,037
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(2,608,326)	(76,328)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation		31,150	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		—	39,328
Other, net		37	—
Net cash from (used in) investing activities		(5,455,769)	535,264
Cash flows from financing activities			
Net increase (decrease) in current borrowings		116,900	(686,800)
Proceeds from non-current borrowings		25,351,800	14,505,600
Repayments of non-current borrowings		(14,045,826)	(14,053,546)
Cash dividends paid		(771,027)	(1,060,905)
Interest expenses paid		(481,822)	(442,398)
Other, net		(3,579)	(1,760)
Net cash from (used in) financing activities		10,166,443	(1,739,810)
Net increase (decrease) in cash and cash equivalents		3,840,600	1,293,238
Cash and cash equivalents at beginning of period		18,791,081	21,640,866
Effect of exchange rate change on cash and cash equivalents		(4,149)	303
Cash and cash equivalents at end of period		22,627,532	22,934,408

(5) Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the second quarter (March 1, 2017 to May 31, 2017) and first six months (December 1, 2016 to May 31, 2017) of the current fiscal year have been prepared in respect of the Company and its subsidiaries (hereinafter collectively, the "Group").The Group engages in the following five business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business and Property Management Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a "Designated International Financial Reporting Standards specified company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007), its condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" under the provision of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007).

These condensed quarterly consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on July 7, 2017.

(2) Basis of measurement

The condensed quarterly consolidated financial statements have been prepared on the historical cost basis except for assets and liabilities measured at fair value.

(3) Presentation currency and unit

The condensed quarterly consolidated financial statements in this report are presented in Japanese yen, the Company's functional currency. All financial information presented in Japanese yen is rounded down to the nearest thousand yen.

3. Significant accounting policies

Significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the condensed quarterly consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change will affect.

5. Segment information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance. The Group draws up comprehensive strategies for each of the following five business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting

Business", and "Property Management Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services.

The Group's revenue and profit/loss by reportable segment are as follows:

Six months ended May 31, 2016

(December 1, 2015 – May 31, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	15,424,148	10,097,038	2,417,311	1,077,630	1,437,385	201,704	–	30,655,217
Intersegment revenue	–	–	20,815	12,600	525,539	370	(559,324)	–
Total	15,424,148	10,097,038	2,438,126	1,090,230	1,962,924	202,074	(559,324)	30,655,217
Segment profit or loss	3,627,319	3,659,887	1,003,040	430,340	70,332	(23,796)	(1,091,888)	7,675,234
Finance income/costs, net								(434,916)
Profit before tax								7,240,317

Six months ended May 31, 2017

(December 1, 2016 – May 31, 2017)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	17,948,700	2,144,539	2,988,488	1,641,411	1,636,945	–	–	26,360,085
Intersegment revenue	–	–	21,561	20,073	575,341	–	(616,976)	–
Total	17,948,700	2,144,539	3,010,050	1,661,485	2,212,286	–	(616,976)	26,360,085
Segment profit or loss	4,800,250	(219,278)	1,303,083	915,032	134,610	1,030	(692,923)	6,241,805
Finance income/costs, net								(384,373)
Profit before tax								5,857,432

Second quarter ended May 31, 2016
(March 1, 2016 – May 31, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	13,063,468	1,372,913	1,316,360	514,574	795,275	65,416		17,128,007
Intersegment revenue	–	–	10,513	9,600	311,567	370	(332,050)	–
Total	13,063,468	1,372,913	1,326,873	524,174	1,106,842	65,786	(332,050)	17,128,007
Segment profit or loss	3,445,079	79,417	541,266	220,320	42,314	(22,550)	(758,114)	3,547,733
Finance income/costs, net								(222,226)
Profit before tax								3,325,506

Second quarter ended May 31, 2017
(March 1, 2017 – May 31, 2017)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	7,009,402	1,175,481	1,516,891	1,172,468	808,447	–	–	11,682,692
Intersegment revenue	–	–	10,781	3,955	288,527	–	(303,264)	–
Total	7,009,402	1,175,481	1,527,673	1,176,424	1,096,975	–	(303,264)	11,682,692
Segment profit or loss	1,382,730	(45,806)	642,246	755,333	58,796	475	(379,992)	2,413,784
Finance income/costs, net								(215,135)
Profit before tax								2,198,648

6. Dividends

Dividends paid in the six months ended May 31, 2016 and May 31, 2017 are as follows:

Six months ended May 31, 2016				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2016	16	772,544	November 30, 2015	February 26, 2016

Six months ended May 31, 2017				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 24, 2017	22	1,062,248	November 30, 2016	February 27, 2017

7. Earnings per share

	Six months ended May 31, 2016	Six months ended May 31, 2017
Profit for the period attributable to owners of the parent (¥ thousand)	4,743,981	3,931,865
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	98.25	81.43

	Second quarter ended May 31, 2016	Second quarter ended May 31, 2017
Profit for the period attributable to owners of the parent (¥ thousand)	2,132,684	1,431,294
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	44.17	29.64

Notes: 1. Basic earnings per share is calculated by dividing profit attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the six months ended May 31,2017 and during the second quarter ended May 31, 2017.

2. Diluted earnings per share are not presented because there were no potential shares that have dilutive effects.

8. Financial instruments

i) Fair values and carrying amounts

Fair values of financial assets and liabilities and their carrying amounts presented in the condensed consolidated statement of financial position are as follows:

(¥ thousand)

	As of November 30, 2016		As of May 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	21,640,866	21,640,866	22,934,408	22,934,408
Available-for-sale financial assets	1,441,167	1,441,167	1,338,627	1,338,627
Trade and other receivables	4,766,946	4,766,946	4,567,221	4,567,221
Trade and other payables	7,305,255	7,305,255	7,302,321	7,302,321
Borrowings	70,159,313	70,207,138	69,901,440	69,947,002

Method for measuring fair value of financial instruments

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.

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 estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method. Securities that do not have a quoted market price in an active market and of which the fair value cannot be reliably estimated are measured based on the acquisition cost.

Non-current borrowings

The fair values of non-current borrowings with floating interest rate approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rate 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.

ii) Fair value hierarchy

The following shows the analysis of financial instruments measured at fair value after the initial recognition. Fair values of financial instruments are classified into level 1 to level 3.

Level 1: Fair values measured at a price quoted in an active market
Level 2: Fair values calculated directly or indirectly using an observable price except for level 1
Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

(¥ thousand)

	As of November 30, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,363,106	38	78,021	1,441,167
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	36,115	—	36,115

(¥ thousand)

	As of May 31, 2017			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,268,145	—	70,482	1,338,627
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	18,094	—	18,094

Reconciliation of financial assets classified in level 3 at the beginning of the period with those at the end of the period is as follows:

(¥ thousand)

	Six months ended May 31, 2017
Balance at beginning of period	78,021
Acquisition	—
Comprehensive income	
Profit (loss)	(376)
Disposal	(7,162)
Balance at end of period	70,482

9. Significant subsequent events

No item to report.

2. Other

No item to report.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

July 7, 2017

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the second quarter (March 1, 2017 to May 31, 2017) and the six-month period (December 1, 2016 to May 31, 2017) of the fiscal year from December 1, 2016 to November 30, 2017.

Management's Responsibility for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in conformity with International Accounting Standard 34 "Interim Financial Reporting" under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan; this includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor. We conducted our review in conformity with quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. A quarterly review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Auditor's Conclusion

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting.", and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of May 31, 2017, their operating results for the second quarter and the six month ended May 31, 2017, and their cash flows for the six months ended the same date.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End

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*1. The above is a digitization of the text contained in the original copy of the Quarterly Review Report, which is in the custody of the Company (filing company of the quarterly securities report) as attachments to the financial statements.

2.XBRL data is excluded from the scope of the quarterly review.

Note:
The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text.