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Document to be filed:	Management's Report on Internal Control
Provisions to base upon:	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 28, 2014
Company name (Japanese):	トーセイ株式会社 ( <i>Tosei Kabushiki-Kaisha</i> )
Company name (English):	TOSEI CORPORATION
Title and name of representative:	Seiichiro Yamaguchi, President and CEO
Title and name of Chief Financial Officer	Noboru Hirano, Director and CFO
Location of head office:	4-2-3, Toranomom, Minato-ku, Tokyo, Japan
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

## **1. Basic Framework of Internal Control Over Financial Reporting**

Seiichiro Yamaguchi, President and CEO of TOSEI CORPORATION (the “Company”) and Noboru Hirano, CFO Senior Executive Officer of the Company, having the responsibility to design and operate internal control over financial reporting of the Company, designs and operates such internal control of the Company in accordance with the basic framework set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

## **2. Scope of Assessment, Assessment Date and Assessment Procedure**

Assessment of internal control over financial reporting was performed as of November 30, 2013 (i.e., the last day of this fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the management first assessed company-level control which would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on such result, the management then selected the business processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

Management determined the scope of assessment of internal control over financial reporting, by selecting the Company, consolidated subsidiaries and companies accounted for by the equity method based on their materiality of impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the management reasonably determined the scope of assessment of process-level control based on the result of the company-level control assessment, which included the Company and its 3 significant consolidated subsidiaries.

For the purpose of determining the scope of process-level control assessment, 1 business location was selected as “Significant Business Locations”, which comprises the Company and its consolidated subsidiaries selected in descending order based on their fiscal year’s consolidated net sales (after elimination) and contributed approximately two-thirds of the Company’s consolidated net sales in the aggregate. Note that the management confirmed that the scope of internal control assessment was sufficient based on this fiscal year’s consolidated net sales. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company’s business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the Significant Business Locations, certain business processes related to significant accounts involving estimates and management’s judgment and business processes on businesses or operations in which transactions involving significant risks are conducted were added to the scope of assessment as “business processes with material impacts on financial reporting.”

## **3. Assessment Result**

Based on the above mentioned assessment results, the management concluded that the internal control over financial reporting at the end of this fiscal year was effective.

## **4. Supplementary Information**

None

## **5. Special Affairs**

None