TOSEI CORPORATION

CORPORATE GOVERNANCE

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**Tosei Corporation**
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**The state of corporate governance of Tosei Corporation ("the Company") is as described below:**

## I. Fundamental Approach toward Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

### 1. Fundamental Approach

Fundamental Approach toward Corporate Governance

Our Group aspires to be a valuable contributor to all kinds of our stakeholders in the society, including the shareholders, the employees, the business partners and others, by promptly and appropriately responding to the changes in the business environment and continuing operational activities which enable the Group to achieve a sound growth. For this purpose, the Group has placed the greatest importance on enhancement of corporate governance, and in particular, "fully cultivating compliance mind", "enhancing risk management" and "conducting timely disclosure" as three key initiatives. Furthermore, the Group is determined to make efforts in a unified manner, from the top management down to each employee of the Group companies, led by the Board of Directors, to develop an internal control system as required by the Companies Act and the Financial Instruments and Exchange Act, as well as to set up a system which is credible to investors, as a financial instruments business operator.

**[Reasons for Non-Compliance with the Principles of the Corporate Governance Code]**

**Supplementary Principle 4-11-1** Basic view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size

⇒The Board of Directors is deemed to contribute to the medium- to long-term growth of the Group when it is comprised of a diverse range of members. Going forward, the Group's policy is to appoint any eligible candidate when they are identified. As of this document's last update, there is no female Director in office.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

The Company discloses the basic policy for each of principles of the Corporate Governance Code as "Tosei Corporation Basic Policy on Corporate Governance (hereinafter, the Company's Basic Policy)" on the Company's website below. In addition, the Basic Policy was partially revised as of December 1, 2019.

https://www.toseicorp.co.jp/english/ir/governance/basic_policy/

(1) Company's disclosure regarding to policies, basic rules, procedures, outline of analysis and others which are required to disclose under "The Preparation Guidelines for Preparing the Corporate Governance Reports (Tokyo Stock Exchange)" are written in below,

**General Principle 1.4 Cross-shareholdings**

Basic policy for maintaining cross-shareholdings and exercising voting right

⇒As of this document's last update, the Company does not own any shares of another listed company for strategic purposes. More details are described in "the Company's Basic Policy" Principle 1-4

**General Principle 1.7 Related Party Transaction**

Basic rules of appropriate manner in case of entering transactions involving conflict of interest with director(s) or major shareholders (related parties)

⇒"the Company's Basic Policy" Principle 1-7

**General Principle 2.6 Roles as Asset Owner of Corporate Pension Funds**

⇒As of this document's last update, the Company does not have any corporate pension funds.

**General Principle 3.1 Full Disclose**

ⅰ)Company objectives(e.g., business principles), business strategies and business plans

⇒"the Company's Basic Policy" Principle 3-1,
and Company's website (https://www.toseicorp.co.jp/)

ⅱ)Basic views and guideline on corporate governance based on each of the principles of the Code

⇒details are described in Section Ⅰ.1

ⅲ)Board policies and procedures in determining the remuneration for the senior management and directors

⇒"the Company's Basic Policy" Principle 3-1

ⅳ)Board policies and procedures in the appointment of the senior management and the nomination of directors and *Kansayaku* candidates

⇒"the Company's Basic Policy" Principle 3-1

ⅴ)Explanation with respect to the individual appointments and nominations based on ⅳ)

⇒details are described below (a)

**General Principle 4.1 Roles and Responsibilities of the Board(1)**

**Supplementary Principle 4-1-1** Outline of the scope Board of Directors delegate to the management of company

⇒"the Company's Basic Policy" Principle 4-1

**General Principle 4-9 Independent Standards and Qualification for Independent Directors**

Independence Standards for Independent Directors

⇒"the Company's Basic Policy" Principle 4-9

**General Principle 4-11 Preconditions for Board and *Kansayaku* Board Effectiveness**

**Supplementary Principle 4-11-2** The status of directors or *Kansayaku* who serves concurrently as directors, *Kansayaku* or the management at other listed companies

⇒details are described below (b)

**Supplementary Principle 4-11-3** Summary of the analysis/evaluation result of the effectiveness of the entire Board of Directors

⇒details are described below (c)

**General Principle 4-14 Directors and *Kansayaku* Training**

Policy in Training of Directors and *Kansayaku*

⇒"the Company's Basic Policy" Principle 4-14

**General Principle 5-1 Policy for Constructive Dialogue with Shareholders**

⇒"the Company's Basic Policy" Principle 5-1

(a)Reasons for nominating current Directors and Audit & Supervisory Board Members(Kansayaku) as candidate for Directors and Audit & Supervisory Board Members(Kansayaku).

〈Director〉(appointed at the 70th Ordinary General Meeting of Shareholders of the Company held on 26 February, 2020)

⇒Reasons for nomination as candidate for Director are described in Notice of the 68th Ordinary General Meeting of Shareholders (https://www.toseicorp.co.jp/english/docs/E200131_1.pdf)

〈Audit & Supervisory Board Members〉(appointed at the Ordinary General Meeting of Shareholders of the Company held on 27 February, 2019(the 69th) and 25 February, 2021(the 71th))

⇒details are described in Section Ⅱ.1【Audit & Supervisory Board Members】

(b)The status of Directors/Audit & Supervisory Board Members(*Kansayaku*) who serves concurrently as directors, *Kansayaku* or the management at other listed companies as of 1st March, 2021

| Position | Name | Title, Listed companies |
|---|---|---|
| President and CEO | Seiichiro Yamaguchi | Non |
| Director | Noboru Hirano | Non |
| Director | Masaaki Watanabe | Non |
| Director | Hideki Nakanishi | Non |
| Director | Shunsuke Yamaguchi | Non |
| Director | Hitoshi Oshima | Non |
| Director | Kenichi Shohtoku | Non |
| Director | Hiroyuki Kobayashi | Outside Auditor of Tohto Suisan Co., Ltd. |
| Director | Masao Yamanaka | Outside Auditor of CHIYODA CO., LTD.<br>Outside Auditor of System Location Co., Ltd. |
| Audit & Supervisory Board Member (full-time) | Hitoshi Yagi | Non |
| Audit & Supervisory Board Member (full-time) | Toshinori Kuroda | Non |
| Audit & Supervisory Board Member | Tatsuki Nagano | Outside Director of System Location Co., Ltd |
| Audit & Supervisory Board Member | Osamu Doi | Non |

(c)Summary of the analysis/evaluation result of the effectiveness of the entire Board of Directors

a. Evaluation Process

A questionnaire, given to all members of the Board of Directors (nine (9) Directors and four (4) Audit & Supervisory Board Members, as of November 30, 2020), is carried out regarding:

1. Composition of the Board of Directors
2. Effectiveness of the Board of Directors (quality and amount of discussion)
3. Discussion of candidates at the reelection of Directors and Compensation program of the Board of Directors
4. The operation of the Board of Directors
5. The Directors' own self-assessments
6. Relation with shareholders and other stakeholders
7. Others

(7 categories, 37 items) (responses from all eleven (13) members are collected).

b. Analysis of Questionnaire Results

Major analysis results

1. The current structure and diversity of the Board of Directors maintain appropriate levels given

the nature and category of the business of the Group. However, we need to continually consider the diversity of our board of directors. In addition, it is necessary to tackle the issues of developing next-generation leaders, including representative directors, more systematically.

2, 4. Although the Board of Directors as a meeting body is at a level where it is effective, there is room to further advance reviews of the quality and quantity of meeting documents and identifying discussion issues for each agenda item prior to the meeting, while continuously and effectively sharing functions with other meeting bodies.

3. With regard to each voluntary committee, the transparency of processes and reports has been ensured. In the future, we should aim to further secure appropriateness by improving information on the skills, etc. of candidates in their nomination.

5. We should make efforts as a company to provide opportunities to further support the personal development of Directors and Audit & Supervisory Board Members.

6. Good relationships with stakeholders continue to be maintained, and information on the expectations of investors, etc. is also shared by reporting it to the Board of Directors in a timely and appropriate manner.

7. Ongoing efforts are made to ensure that there is adequate cooperation between the Directors (Board of Directors) and Audit & Supervisory Board Members (Audit & Supervisory Board) and that sharing of information regarding managerial matters, etc. is done without problem.

c. Deliberation of evaluation

After aggregating questionnaire responses and reporting the analysis results at the Pre-Board meeting discussion held in February 2021, a discussion on eventual results was held at the regular meeting of the Board of Directors held in the same month, and was resolved to include the evaluation results in the Corporate Governance Report.

d. Evaluation results

- Effectiveness of the current Board of Directors is fully secured.
- To strengthen Group governance and further enhance corporate value as a Group to achieve the new medium-term management plan "Infinite Potential 2023," we will continue discussions about the effectiveness and diversity of the Board of Directors and examine and institute individual measures that will contribute to an improvement in the effectiveness, as needed.

## 2. Capital Structure

| | |
|---|---|
| Foreign shareholding ratio | Over 30% |

【Major Shareholders】

| Name of shareholders | Number of Owned Shares | Share Holding Ratio (%) |
|---|---|---|
| Seiichiro Yamaguchi | 12,885,500 | 27.31 |
| Zeus Capital Limited | 6,000,000 | 12.71 |
| QUINTET PRIVATE BANK（EUROPE）S.A.107704 | 3,777,400 | 8.00 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 1,804,400 | 3.82 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,523,200 | 3.22 |
| Custody Bank of Japan, Ltd. (Trust Account) | 851,900 | 1.80 |
| GOLDMAN, SACHS& CO. REG | 843,223 | 1.78 |
| GOVERNMENT OF NORWAY | 835,929 | 1.77 |
| NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 778,400 | 1.65 |
| SMBC Nikko Securities Inc. | 628,700 | 1.33 |

| | |
|---|---|
| Existence of controlling shareholders (excluding the parent company) | — |

| | |
|---|---|
| Existence of a parent company | No |

| |
|---|
| **Supplementary explanation** |

-

## 3. Corporate Attributes

| | |
|---|---|
| Listed exchange and market division | Tokyo Stock Exchange, First Section |
| Fiscal year end | November |
| Category of business | Real estate business |
| Number of employees (consolidated) as of the end of the latest fiscal year | 500 to under 1,000 |
| Consolidated sales of the latest fiscal year | 10 to under 100 billion yen |
| Number of consolidated subsidiaries as of the end of the latest fiscal year | 10 to under 50 |

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

-

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

There is no special circumstance that may affect the Company's corporate governance as the Company does not have a parent company or a listed subsidiary.

As the Company is also listed on the Mainboard of the Singapore Exchange, it is required to act in accordance with rules and regulations prescribed by the said Exchange.

## II. Business Management Organization and Other Corporate Governance System regarding Decision-making, Execution and Oversight in Management

### 1. Matters Concerning Governing Bodies and Conduct of Organizations

| | |
|---|---|
| Organizational form | Company with Audit & Supervisory Board Members |

【Board of Directors】

| | |
|---|---|
| Number of directors in the Articles of Incorporation | 12 |
| Term of directorship in the Articles of Incorporation | 2 years |
| Chairperson of Board of Directors meetings | President |
| Number of directors | 9 |
| Appointment of outside directors | Yes |
| Number of outside directors | 3 |
| Number of outside directors appointed as independent director | 3 |

Relationship between outside directors and the company (1)

| Name | Attributes | Relationship with the Company (*) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Kenichi Shohtoku | Certified public accountant | | | | | | | | | | | |
| Hiroyuki Kobayashi | From other company | | | | | | | | | | | |
| Masao Yamanaka | lawyer | | | | | | | | | | | |

* Each type of the relationship with the Company is defined as follows:

* Fill in the applicable box with ○ if the person himself is applicable currently or recently, and with △ if the person himself was applicable in the past:

* Fill in the applicable box with ● if the close relative is applicable currently or recently, and with ▲ if the close relative was applicable in the past:

a Person who executes business of the listed company or its subsidiary;

b Person who executes business or director who is not executive personnel of a parent company of the listed company;

c Person who executes business of a fellow subsidiary of the listed company;

d Party for which the listed company is a major client or a person who executes its business;

e Listed company's major client or a person who executes its business;

f Consultant, accounting professional, or legal professional who receives a large amount of money or other financial asset other than remuneration for directorship/auditorship from the listed company;

g Listed company's major shareholder (in case of a corporate shareholder, person who executes its business);

h Person who executes business of a client of the listed company which does not fall under d, e or f (the said person only);

i Person who executes business of an entity in which the outside officer has concurrent positions to serve (the said person only);

j Person who executes business of an entity to which the listed company make donations (the said person only); or

k Other

Relationship between outside directors and the Company (2)

| Name | Independent Director | Supplemental Information Concerning Eligibility for the Position | Reason for the election |
|---|---|---|---|
| Kenichi Shohtoku | Yes | - | Director Shotoku secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>As a certified public accountant, he has an extensive experience and knowledge including those relating to overseas business. The Company believes he can provide appropriate supervisions over the Company's operation, with his objective position as an accounting professional. |

| | | | |
|---|---|---|---|
| Hiroyuki Kobayashi | Yes | - | Director Kobayashi secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>He has extensive experience and expert knowledge, accumulated mainly at major financial institutions. Consequently, the Company is promoting a group expansion strategy, it may expect objective monitoring and proposals can be expected from him as Outside Director from the aspect of group governance drawing on his expertise in organization development and M&As. |
| Masao Yamanaka | Yes | - | Director Yamanaka secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>He has provided legal advice to a number of companies and has extensive experience as a lawyer and a wealth of expertise in corporate law. And he has serving as auditor of multiple listed companies, he possesses considerable expertise in governance of listed companies. Expecting that he will be able to make objective monitoring and proposals as Independent Director as the Company strengthens its governance aiming for the expansion of the Group. |

| | |
|---|---|
| Presence or absence of any voluntary committees corresponding to a nominating committee or a compensation committee. | Yes |

Committee's Name, Composition, and Attributes of Chairperson

| | Committee's Name | All Committee Members | Full-time Members | Inside Directors | Outside Directors | Outside Experts | Other | Chairperson |
|---|---|---|---|---|---|---|---|---|
| Committee Corresponding to Nominating Committee | Nominating and Compensation Advisory Committee | 6 | 0 | 2 | 3 | 0 | 1 | Outside director |
| Committee Corresponding to Compensation Committee | Nominating and Compensation Advisory Committee | 6 | 0 | 2 | 3 | 0 | 1 | Outside director |

Supplementary Explanation

The Company established the Nominating and Compensation Advisory Committee voluntarily as a consultative body to the Board of Directors to ensure appropriateness and transparency in such matters as the process of selecting candidates in connection with director election proposals submitted to the general meeting of shareholders and resolutions of the Board of Directors relating to allocation of remuneration, etc. to individual directors.

The constituent members of the committee include a representative director (one person), a full-time director (one person), outside director(s) (independent director(s), one person or more), and a full-time audit & supervisory board member (outside audit & supervisory board member, one person). An outside director who is a committee member will assume the office of the chair of committee.

The Board of Directors will continue to fulfill its mandate from the Company's shareholders and investors by respecting the recommendations of the committee to the maximum extent and developing an appropriate governance system.

## 【Audit & Supervisory Board Members】

| | |
|---|---|
| Existence of Audit & Supervisory Board | Yes |
| Number of Audit & Supervisory Board Members in the Articles of Incorporation | 6 |
| Number of Audit & Supervisory Board Members | 4 |

Cooperation among Audit & Supervisory Board Members, accounting auditors and internal audit department

**1. Cooperation between Audit & Supervisory Board Members and accounting auditors**

In the course of auditing activities conducted in accordance with the annual audit plan, the Audit & Supervisory Board Members closely work with the accounting auditors by regularly exchanging information and opinions. The Audit & Supervisory Board Members receive the audit plans and results from the accounting auditors, and witness the audits performed by the accounting auditors from time to time. The meetings for the accounting auditors to report to the Audit & Supervisory Board Members (Audit & Supervisory Board) were held six times during the year ended November 30, 2020. Furthermore, to enhance the threefold auditing structure, the fulltime Audit & Supervisory Board Members, the accounting auditors and internal audit department held the opinion-exchanging meeting in March and September 2020.

**2. Cooperation between Audit & Supervisory Board Members and internal audit department**

The Audit & Supervisory Board Members and the internal audit department meet to exchange opinions every other month, and the internal audit department also reports to the Audit & Supervisory Board Members in a timely manner as to the internal audit results. While the full-time Audit & Supervisory Board Members meet with the general managers of internal audit department on a weekly basis, both sides work in concert with each other to enhance the quality of its audits and to efficiently conduct audits.

| | |
|---|---|
| Appointment of outside Audit & Supervisory Board Members | Yes |
| Number of outside Audit & Supervisory Board Members | 4 |
| Number of outside Audit & Supervisory Board Members appointed as independent auditor | 4 |

Relationship between outside Audit & Supervisory Board Members and the Company (1)

| Name | Attributes | Relationship with the Company (*) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Hitoshi Yagi | From other company | | | | | | | | | | ○ | | | |
| Toshinori Kuroda | From other company | | | | | | | | | | ○ | | | |
| Tatsuki Nagano | From other company | | | | | | | | | | | | | |
| Osamu Doi | From other company | | | | | | | | | | | | | |

* Each type of the relationship with the Company is defined as follows:

* Fill in the applicable box with ○ if the person himself is applicable currently or recently, and with △ if the person himself was applicable in the past:

* Fill in the applicable box with ● if the close relative is applicable currently or recently, and with ▲ if the close relative was applicable in the past:

a Person who executes business of the listed company or its subsidiary;

b Director or accounting advisor who is not executive personnel of the listed company or its subsidiary;

c Person who executes business or director who is not executive personnel of a parent company of the listed company;

d Audit & Supervisory Board Member of a parent company of the listed company;

e Person who executes business of a fellow subsidiary of the listed company;

f Party for which the listed company is a major client or a person who executes its business;

g. Listed company's major client or a person who executes its businessy;

h Consultant, accounting professional, or legal professional who receives a large amount of money or other financial asset other than remuneration for directorship/auditorship from the listed company

i Listed company's major shareholder (in case of a corporate shareholder, person who executes its business)

j Person who executes business of a client of the listed company which does not fall under f, g or h (the said person only);

k Person who executes business of an entity in which the outside officer has concurrent positions to serve (the said person only);

l Person who executes business of an entity to which the listed company make donations (the said person only); or

m Other

Relationship between outside Audit & Supervisory Board Members and the Company (2)

| Name | Independent Audit & Supervisory Board Member | Notes Concerning Eligibility for the Outside/Independent Audit & Supervisory Board Member | Reason for the election |
|---|---|---|---|
| Hitoshi Yagi | Yes | - | Audit & Supervisory Board Member Yagi secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>Based on his abundant experience and specialist knowledge acquired at audit divisions of major financial institutions, we determined that he can fulfill his responsibilities of securing adequacy and appropriateness in the Company's management, and elected him as a candidate for Outside Audit & Supervisory Board Member. |
| Toshinori Kuroda | Yes | - | Audit & Supervisory Board Member Kuroda secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>He has abundant experience acquired at major financial institutions, and he has expert knowledge from having acquired an MBA and having been certified as a Certified Internal Auditor (CIA). Consequently, the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company's management. |
| Tatsuki Nagano | Yes | - | Audit & Supervisory Board Member Nagano secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>He has experience at a major financial institution and continues to be involved in the business management. The Company believes that he will contribute to the Company in ensuring the adequacy and appropriateness of the management of the Company, with his extensive experience and high level of professional knowledge. |

| | | | |
|---|---|---|---|
| Osamu Doi | Yes | - | Audit & Supervisory Board Member Doi secures independence as he has no such interest that may cause any conflict of interest with general shareholders.<br>The Company believes that he will contribute to the Company in ensuring the adequacy and appropriateness of the business management of the Company with his abundant experience and professional knowledge he acquired in his past careers at a major securities firm and an investment banking firm. |

## 【Independent Directors/Audit & Supervisory Board Members】

| | |
|---|---|
| Number of independent directors/Audit & Supervisory Board Members | 7 |

Other Matters Concerning Independent Directors/Audit & Supervisory Board Members

All eligible outside directors are designated as independent directors.

## 【Incentives for Directors】

| | |
|---|---|
| Implementation of initiatives to offer incentives to directors | Stock option system introduced |

Supplementary explanation concerning the above

The Company introduced stock options to further incentivize people to work to improve the performance and enhance the corporate value of the Group.
The issuance of the stock options is administered in accordance with the resolution adopted by the General Meeting of Shareholders, and the number of actual allotments to be allowed is determined by the Board of Directors based on the recommendation by the Nominating and Compensation Advisory Committee.

| | |
|---|---|
| Eligible persons for stock options | Inside directors, outside directors, and employees of the Company, and directors of the Company's subsidiaries |

Supplementary explanation concerning the above

The issuance of the stock options to Directors and Employees of the Company and its subsidiaries is aimed at improving the consolidated performance of the Company and its subsidiaries by providing the recipients with the common incentive of improving the performance of the Group as a whole.

## 【Directors' Remuneration】

| | |
|---|---|
| Disclosure of remuneration of each director | Remuneration of each director is not disclosed. |

Supplementary explanation concerning the above

The remuneration paid to the directors is as follows:

Total amount of the remuneration paid to the directors: Yen 239,967 thousand
(from the Annual Securities Report for the 71th Fiscal Period (December 1, 2019 - November 30, 2020))

| | |
|---|---|
| Existence of Policies for determining remuneration amounts and calculation method | Yes |

Disclosed details of the policies for determining remuneration amounts and calculation method

Maximum total amount of Directors' remuneration is set at ¥500 million (including a maximum of ¥80 million of Outside Directors' remuneration; excluding employee salaries) per year as determined at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020. In addition to this, Directors' remuneration as stock options within the range of ¥100 million per year (including ¥10 million or less for Outside Directors) was approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019.
And the number of directors is stipulated in the Articles of Incorporation to be no more than 12.
Remuneration for full-time Directors consists of monetary remuneration, comprising a "fixed salary" which is scaled according to duties, "performance evaluation remuneration" which is based on the achievement of individual goals such as the performance of each full-time Director, and "Directors' bonuses" which are linked to consolidated profit before tax, and "stock options" which are aimed to increase the desire and motivation to contribute to the medium- to long-term enhancement of corporate value.
Due to the emphasis on their supervisory function from a standpoint independent of the execution of business, Outside Directors' remuneration is composed of a "fixed salary" and "stock options" only. No "performance evaluation remuneration" or "Directors' bonuses" are paid to Outside Directors.
The Representative Director drafts proposals for each Director's remuneration, which are discussed by the Nomination and Compensation Advisory Committee, before being decided by resolution of the Board of Directors.
"fixed salary"
On the basis of comparisons with the results of surveys of Directors' remuneration at listed companies, conducted by external specialist agencies, and surveys of the levels of Directors' remuneration at the Company's competitors, conducted by the Company, as well as comparison with the highest amounts of remuneration paid to employees of the Company, the Company has established fixed salary scaling guidelines, based on Directors' duties and posts held by Directors concurrently serving as Executive Officers. Remuneration for each individual Director is discussed by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.
"Performance-linked remuneration" (performance evaluation remuneration and Bonus)

The “performance evaluation remuneration” for full-time Directors is based on their individual achievement of single-year performance targets. A “standard evaluation remuneration amount” equal to 33% of the fixed salary is paid monthly together with the fixed salary, and where there is an adjustment based on the achievement of performance targets (of between +55% and -50% of the standard evaluation remuneration), this will be paid as a lump sum together with Directors’ bonuses after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.

“Directors’ bonuses,” which are linked to single-year consolidated profit before tax, are calculated by multiplying the fixed salary per annum by a factor, which is the sum of a predetermined factor based on the level of profit before tax, and an extra factor where the single-year target profit before tax has been achieved. This is paid as a lump sum after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.

The ratio of fixed salary to performance-linked remuneration (comprising performance evaluation remuneration and Directors’ bonuses) is kept at around 60:40. The ratio for the fiscal year under review (the 71th term) is 61:39.

“Reasons for selecting consolidated profit before tax as the index for Directors’ bonuses, and consolidated profit before tax targets ”

As directors of a listed company, engaged in consolidated management, the Company’s Directors are charged with the important tasks of maintaining and increasing the level of consolidated profit before tax, and achieving the consolidated profit before tax targets each fiscal year. For these reasons, consolidated profit before tax is used to index Directors’ bonuses.

Remuneration for each individual Director is discussed by the Nomination and Compensation Advisory Committee, evaluates the level of contribution to governance of the Company and the Group as a whole, achievement of the department in charge, and maintenance / improvement of consolidated management indicators (ROE, stock price, etc.), before being decided by the Board of Directors.

“Stock options”

In order to practice corporate management with a focus on enhancing corporate value over the medium- to long-term, the President and Representative Director drafts proposals for the number of stock options to be granted to each Director, based on the Director’s duties as well as posts held concurrently by the Director as Executive Officer, for each medium-term management plan. These proposals are examined by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.

A fixed number of stock options are granted to Outside Directors, considering the importance of their management monitoring and supervisory function aimed at enhancing corporate value.

## 【Support System Provided for Outside Directors/Outside Audit & Supervisory Board Members】

### 1. Support System Provided for Outside Directors

As a method of conveying information to Outside Directors, the Outside Directors have the option of attending the Pre-Board meeting discussion (constituted by full-time Directors, full-time Audit & Supervisory Board Members, and the Executive Officer in charge of the administrative department) or have materials and the minutes of this meeting sent to them, so that they are informed of the details of the agendas to be submitted at the board meeting before the board meeting is held. For regular board meetings, Outside Directors are notified at least three days prior to the meeting, and the agenda materials are distributed to them in advance. For extraordinary board meetings too, agenda materials are distributed to them in advance, as a general rule, and if they are unable to attend, they are informed by the General Affairs Department of the matters resolved.

### 2. Support System Provided for Outside Audit & Supervisory Board Members

There are four outside Audit & Supervisory Board Members and two of them are part-time. The agendas to be submitted at the board meeting are pre-discussed by both full-time and part-time Audit & Supervisory Board Members at the management meeting (constituted by the executive officers appointed by the President and CEO. held twice a month) or the Pre-Board meeting discussion. The meeting agendas/materials are distributed to them the day before either meeting. In the event any of the part-time Audit & Supervisory Board Members are unable to attend either the management meeting or the Pre-Board meeting discussion, the matters discussed at either meeting are delivered by the full-time Audit & Supervisory Board Members at the meeting of the Audit & Supervisory Board. The assistance duties for the Audit & Supervisory Board Members as well as the administrative tasks for the meeting of the Audit & Supervisory Board are undertaken by the Internal Audit Department.

## 2. Matters Concerning Business Execution, Audit/Supervision, Appointment of Officers, and Determination of Remuneration (Overview of the Current Corporate Governance System)

1. Operation of the Meetings of Board of Directors

The Board of Directors is constituted by nine directors, three of whom are outside directors. Based on the regulations of the Board of Directors, the directors hold regular meetings every month, and extraordinary meetings are held as necessary. As the highest management decision-making body, the Board of Directors makes resolutions on management policies and material issues and also supervises the execution of duties by the directors. In addition, the outside directors (the independent directors), by sharing their opinions from their objective standpoint, provide advices and suggestions to ensure the adequateness and appropriateness of the decisions made by the Board of Directors.

2. Nominating and Compensation Advisory Committee

The Company established the Nominating and Compensation Advisory Committee voluntarily as a consultative body to the Board of Directors to ensure appropriateness and transparency in such matters as the process of selecting candidates in connection with director election proposals submitted to the general meeting of shareholders and resolutions of the Board of Directors relating to allocation of remuneration, etc. to individual directors. The constituent members of the committee include a representative director (one person), a full-time director (one person), outside director(s) (independent director(s), one person or more), and a full-time audit & supervisory board member (outside audit & supervisory board member, one person). An outside director who is a committee member will assume the office of the chair of committee. The Board of Directors will continue to fulfill its mandate from the Company's shareholders and investors by respecting the recommendations of the committee to the maximum extent and developing an appropriate governance system.

3. Audits Performed by Audit & Supervisory Board Members

The Company has adopted the Audit & Supervisory Board Member system and has the Audit & Supervisory Board with two full-time and two part-time Audit & Supervisory Board Members. All of these four persons fall under the definition of outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act. The meetings of the Audit & Supervisory Board are held once a month as a general rule, and the matters of concern are discussed and resolved

at such meeting. The activities conducted by the full-time Audit & Supervisory Board Members are also reported to the part-time Audit & Supervisory Board Members so that the information is commonly shared by all the Audit & Supervisory Board Members. The Audit & Supervisory Board Members also attend the meeting of the Board of Directors, the Pre-Board meeting discussion where matters to be resolved at the board meetings are confirmed in advance, as well as the management meeting, which serves as a consultative body for the matters to be approved by CEO.

The auditing activities by the Audit & Supervisory Board Members are performed in accordance with an annual audit plan. By cooperating with the accounting auditors as well as with the Audit Department, the Company has developed an efficient and viable auditing system. Furthermore, the full-time Audit & Supervisory Board Members regularly meet with each of the directors and officers in charge of each department, so as to fully understand the status of the business execution.

Such activities conducted by the Audit & Supervisory Board Members have worked effectively as an auditing function for the Company's business management and have delivered positive effects to the Company.

4. Executive Officer System

The Company has adopted the executive officer system in order to more clearly segregate the monitoring/supervision of the Company's business management, which is the duty and responsibility of the directors, from the execution of the business. The executive officers are appointed at the board meetings and the representative director and president has assumed the position of the chief executive officer.

All of the Company's executive officers adhere to its internal rules and regulations as well as to the resolutions of the Board of Directors in executing and controlling the business operations of the Company. In addition, CEO holds the management meetings twice a month as a general rule to seek for consultations on the material issues to be decided by him, and to discuss the matters to be resolved at the board meetings in advance.

5. Corporate Governance Meeting

With the aim of continuously strengthening its corporate governance, the Company holds the corporate governance meetings constituted by the full-time directors and the full-time Audit & Supervisory Board Members monthly.

At the meetings, the directors and the Audit & Supervisory Board Members review and discuss the corporate governance concerns and the internal control matters in an effort to increase the corporate value of the Company, and where necessary, they receive advices from the outside experts such as corporate attorneys and/or certified public accountants.

6. Internal Audit

The Internal Audit Department under the direct supervision of the President and CEO performs audits for the entire Group in accordance with their annual auditing plan. In the event any inadequacy is discovered, recommendations for corrective actions are made to the audited departments. The audit has been quite effective as the Internal Audit Department discusses with the audited departments as to the issues in need of corrective actions and follows up with specific guidance.

7. Information Disclosure

The Company discloses various documents required by the relevant laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, and also discloses information required by the stock exchanges. The Company provides information to its stakeholders including shareholders and investors in appropriate and timely manners, though its IR activities as well as via its website. Further, with the listing on the Singapore Exchange, the Company has been making disclosures in accordance with the rules prescribed by the said exchange.

8. Audit by Accounting Auditors

The Company has entered into an auditing agreement with Shinsoh Audit Corporation in accordance with the Companies Act and the Financial Instruments and Exchange Act, and the audit of the Company's accounts is performed by Shinsoh Audit Corporation based on the annual audit plan. In addition to the full-year audit performed at the end of the fiscal years, Shinsoh conducts reviews at each quarter end.

The details of the Company's accounting auditor are as follows:

| | |
|---|---|
| Name of Audit Corporation : | Shinsoh Audit Corporation |
| Designated Partner/Engagement Partner: | Takayuki Sakashita, CPA<br>(Number of continuing audit years including the current fiscal year: 7) |
| Designated Partner/Engagement Partner: | Atushi Iijima, CPA<br>(Number of continuing audit years including the current fiscal year: 6) |

9. Limited Liability Agreement

The Company has concluded contracts for limitation of liability with Kenichi Shotoku, Hiroyuki Kobayashi and Masao Yamanaka as Outside Directors of the Company, and Hitoshi Yagi, Toshinori Kuroda, Tatsuki Nagano and Osamu Doi as 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.

## 3. Reasons for Adopting the Current Corporate Governance System

The Company has set up the Board of Directors and the Audit & Supervisory Board. While appointing from outside its outside directors and all of its Audit & Supervisory Board Members, it has also adopted an executive officer system, for the purpose of operating its businesses with high transparency.

All of the Audit & Supervisory Board Members of the Company have been outside Audit & Supervisory Board Members since the time of listing. The Audit & Supervisory Board Members have always performed audits of the business management of the Company from the viewpoints of ensuring and increasing the Company's corporate value and the common interests of its shareholders. The Company further enhances its supervisory function over its management by inviting outside directors to the Board of Directors. On the management side, the Company has employed the executive officer system so as to achieve optimal distribution of decision-making functions and operational duties, as well as

encouraging the delegation of authority in executing the businesses, in an attempt to strengthen its corporate governance.

As stated above, the management of the Company and the current system of monitoring and supervision over the management is adequately functioning, and the Company continues to maintain the system currently in place.

## III. Implementation of Measures for Shareholders and Other Interested Parties

### 1. Efforts for Active General Shareholders Meetings and Smooth Exercises of Voting Rights

| | Supplementary Explanation |
|---|---|
| Early Notification of General Shareholders Meeting | The Company has implemented "early notification" (sending at least 3 business days prior to the statutory date). |
| Avoidance of Peak Day | Not applicable (As the general shareholders meeting of the Company is held in February) |
| Exercise of Voting Rights by Electronic Means | The Company has implemented "the exercise of voting rights via the internet". |
| Participation in Electronic Voting Platform as well as Improving the Environment for Voting by Institutional Investors | The Company implements "the exercise of voting rights via the internet" as well as participation in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc. since ordinary general meeting of shareholders held in February 2015. |
| Preparation of Convocation Notice (a summary of the original) in English | Convocation notice is provided in English. |
| Others | In order to foster a better understanding among the shareholders, the Company is conducting 1) the general shareholders meetings with visual presentations and 2) the post-meeting explanatory sessions on the Company's future business strategies. In addition, the convocation notice of the general shareholders meeting has been posted on its corporate website in both Japanese and English before it is dispatched.<br>At the 71th Ordinary General Meeting of Shareholders of the Company (February 25, 2021), The Company conducted to livestream the Meeting so that more shareholders will be able to view the proceedings of the Meeting from their homes or other places. |

### 2. Status of Investor Relations Activities

| | Supplemental Information | Presentation by the Company representative |
|---|---|---|
| Establishment and Disclosure of Disclosure Policies | Disclosure policies have been established and disclosed on the Company's corporate website. | |
| Periodical Briefing Sessions for Individual Investors | Periodical briefing sessions are held for the purpose of communicating with individual investors. Also, publishes presentation materials and video of the meeting on the Corporation's website. | Yes |
| Periodical Briefing Sessions for Analysts and Institutional Investors | Large meetings (following full year and half year operating results announcements) are organize and are broadcast in live. In addition, videos of financial results briefings in Japanese and English are provided on our website. | Yes |

| | |
|---|---|
| Availability of IR Materials on the Corporate Website | IR information platform is posted on the Company's corporate website, and "News Release" discloses the latest information. "IR Library" page contains the Company's financial statements and the Annual Securities Reports and the IR materials such as financial results and real estate market conditions are disclosed in Japanese and English. |
| Designation of a Department (or person) responsible for Investor Relations | Corporate Management Department |

## 3. Status of Measures to Ensure Due Respect for Stakeholders

| | Supplemental Information |
|---|---|
| Provision of Rules on Respect for the Positions of the Stakeholders under the Internal Regulations of the Company | The Company has established the information disclosure regulations, effective from December 2006. |
| Conducting of Environmental Preservation Activities and CSR Activities | The Tosei Group is pushing ahead with business by establishing the "Tosei Group ESG Policy" and the "ESG Action Guideline" with the aim of reintegrating the overall CSR activities it has undertaken so far and continuing to promote ESG management. For environmental conservation activities, the Group strives to reduce the environmental burden through the conduct of business and collaboration with tenants, by pursuing activities such as the introduction of measures for contributing to conserving energy and resources in real estate revitalization and development, and the distribution of questionnaires to tenants of buildings held by the Group, aiming to realize the three Eco-Missions stipulated in the "ESG Action Guideline" and the "Tosei Group Eco Declaration". Moreover, ESG training is provided on a group-wide basis to internally promote energy and resources conservation as part of its efforts to foster a group mindset of environmental conservation, in addition to volunteer beach-cleaning activities for the purpose of contributing to local communities and support activities for areas affected by the Great East Japan Earthquake, among other activities. In the 71st fiscal year, some activities and measures were postponed from the viewpoint of preventing the spread of the new coronavirus infection. In addition, we made a donation to the Tokyo COVID-19 Medical Care Support Fund to support medical personnel.<br>To inform stakeholders at large of the Group's ESG (environment, society and government) initiatives, the Group publishes the "Tosei Group ESG Report" and strives to improve ESG information disclosure on its website. |
| Establishment of Policies Concerning Provision of Information to Stakeholders | The disclosure policies have been established and put into effect. |

## IV. Matters Concerning Internal Control System

### 1. Basic Policy of Internal Control Systems and the Progress of the System Development

The Company's basic policies of internal control system are currently as stated below. The progress of system development as of November 30, 2020 is also provided later in this section.

Basic Policies for "Ensuring Appropriate Company Management"

1. Basic Policies for Compliance with Laws and Regulations

   (1) Ensure awareness among all officers and employees regarding compliance with laws and regulations.
   (2) Strengthen the checking function for breach of laws and regulations.
   (3) Promptly react to any breach of laws and regulations, and make timely and appropriate information disclosure concerning such breaches.
   (4) Eliminate any association with anti-social forces.

2. Basic Policies for Storing and Managing of Information

   (1) Ensure awareness among all officers and employees regarding the importance of storing and managing information.
   (2) Enhance the initiatives for preventing the leakage of material information.
   (3) Ensure thorough familiarity with important information and information requiring timely disclosure and prevention of misstatements or material omissions.

3. Basic Policies for Management of Risk of Loss

   (1) Ensure thorough understanding, analysis and assessment of risks that may hinder the continuation of the Company's corporate activities.
   (2) Enhance monitoring of risk management.
   (3) Establish a proper whistle-blowing system for any occurrences and/or signs of surfacing of contingencies.
   (4) Promptly react to any occurrence of contingencies and/or accidents, and make timely and appropriate disclosure of information regarding such occurrences.

4. Basic Policies for Efficient Execution of Duties by Directors

   (1) Carry out deliberation and decision-making on the important management matters of the Company, in efficient, timely and appropriate manners.
   (2) Eliminate excessive pursuit of efficiencies in the management plans and/or the business targets and make balanced decisions considering the soundness of the Company.
   (3) Establish a system to allow appropriate and efficient execution of business in accordance with the rules on delegation of operational authority.

5. Basic Policies for Properness of the Operations of the Entire Group

   (1) Strive for a full penetration of the understanding of the Company's corporate philosophy and awareness for the compliance among the officers and the employees of each of the Group companies and ensure that each of the Group companies complies with laws and regulations.
   (2) Strive for full awareness, analysis and evaluation of risks that impede the sustenance and

continuation of the businesses of each of the Group companies, prepare for contingencies, and establish a system to compel prompt reporting if contingencies occur.

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

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

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

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

6. Basic Policies for Systems to Ensure Effective Audits by the Audit & Supervisory Board Members

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

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

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

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

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

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

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

(8) The directors are to make efforts to understand and support the audits by the Audit & Supervisory Board Members and proactively work to improve the issues raised by the Audit & Supervisory Board Members.

(9) In order to accomplish adequate audits of the entire Group performed by the Audit & Supervisory Board Members, the directors are to provide necessary cooperation to the Audit & Supervisory Board Members.

Under the basic policies above, in a continuous effort to develop the internal control system, the Company establishes plans for implementation and operation of the internal control system annually taking into consideration of revisions of relevant laws and regulations, changes in the business environment of the Group, expansion of the businesses, etc.
The internal control system of the Group implemented and operated as of November 30, 2020 is as follows :

*Major meetings cited in the text

| Meeting name | Frequency of meeting | Attendees |
|---|---|---|
| Board of Directors' meeting | Monthly + Extraordinary | Directors and Audit & Supervisory Board Members |
| Pre-Board meeting discussion | Monthly + Extraordinary | Full-time Directors, full-time Audit & Supervisory Board Members, Executive Officer in charge of administrative department, and person responsible for briefing on the agenda |
| Corporate governance meeting | Monthly | Full-time Directors and full-time Audit & Supervisory Board Member |
| Management meeting | Twice a month + Extraordinary | All Executive Officers and Audit & Supervisory Board Members (as observers) |
| Risk Management and Compliance Committee's meeting | Monthly | Senior Executive Officers, all heads of each division, those responsible for risk management and compliance at each Group company, and full-time Audit & Supervisory Board Members (as observers) |
| Information Disclosure Committee's meeting | Monthly + Extraordinary | Senior Executive Officers, Executive Officers of departments involved in information disclosure, and full-time Audit & Supervisory Board Members (as observers) |

1. Compliance with Laws and Regulations

(1) Ensure awareness regarding compliance with laws and regulations

At the beginning of each fiscal year a risk management and compliance program is drawn up, and trainings in the relevant laws and regulations, measures to cultivate awareness of legal issues have been implemented, in addition to which a compliance and corporate philosophy questionnaire is circulated every fiscal year to all officers and employees of the Group in order to identify issues and consider responses to such issues.

During the fiscal year under review, we had legal advisors offer a training course on the impact of the revised Civil Code on our business, and reviewed the templates for various contracts to focus on promoting legitimate and appropriate business activity.

(2) In addition, the Risk Management and Compliance Committee's meeting (attended by all heads of each department) and a business law liaison meeting (attended by all heads of the operational divisions) are held every month, during which participants are duly made familiar with amendments to laws and regulations, etc. and notices from ministries with jurisdiction etc., while the results of deliberations by the Committee are reported to the monthly meetings of the Board of Directors.Strengthen the checking function for breaches of laws and regulations

As well as the monitoring and supervising system by three Outside Directors including an additional Outside Director appointed at the 70th Ordinary General Meeting of Shareholders (held on February 26, 2020) and four Audit & Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors (held twice during the fiscal year under review), and between Audit & Supervisory Board Members and legal advisors (held three times during the fiscal year under review), so as to check for any signs of breaches of laws and regulations by the Directors responsible for executing business.

Moreover, full-time Audit & Supervisory Board Members conduct business audits on the Company's businesses and investigation of subsidiaries, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented. Meanwhile, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members, and to conduct training sessions to promote an understanding of the system including protection of whistle-blowers.

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

At important meetings and committees attended by full-time Directors, including those of the Board of Directors, checks are made for signs, or actual occurrences, of breaches of laws and regulations, instructions are given regarding responses, and status reports are made. Also, the Company has established a system to establish a crisis management office headed by the President and CEO and disclose information in a timely and appropriate manner based on the Crisis PR Manual in the event that serious breaches and/or incidents occur.

(4) Eliminate any association with anti-social forces

The Company continues screening of counterparties prior to the inception of transactions and carries out trainings on action against anti-social forces for all officers and employees of the Group in order to completely eliminate any association with anti-social forces.

2. Storing and managing information

(1) Ensure awareness regarding the importance of storing and managing information

Every fiscal year we implement training for the information asset management, including personal information, and for the prevention of insider trading for all employees of the Company, and by doing so, we have continued to educate and inculcate rules for the handling of important information. In addition, through the trainings, we make employees well aware of measures to be taken by the Company, etc. in the event of infringement of the rules, and make efforts to enhance awareness of information management.

During the fiscal year under review, the Group promoted work from home and other types of telework in response to rising concerns over the spread of COVID-19 in April and May, and consequently focused on providing reminders that contribute to raising awareness of employees on information management, in addition to implementing physical measures for safe handling of

information.

(2) Enhance the initiatives for preventing the leakage of important information

With regard to the state of compliance with rules for the handling of information assets (printed and electronic information), in addition to self-inspections implemented at all departments and audits conducted by the Internal Audit Department, we have strengthened the penalties for breaches and continued targeted guidance for those who infringe the rules.

During the fiscal year under review, we started paperless operation at some meeting bodies for the purpose of deterring printed information leakage from important meetings.

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

The Information Disclosure Committee meets on a monthly and a temporary basis to understand which information is subject to timely disclosure, and to confirm information disclosure methods, etc. In addition, any changes in the rules regarding timely disclosure in connection with amendments of listing rules, etc. are reviewed on a monthly basis by the Committee and reported to the monthly meetings of the Board of Directors.

3. Management of Risk of Loss

(1) Ensure thorough understanding, analysis and assessment of risks

In accordance with the risk management and compliance program formulated at the beginning of each fiscal year, we implement a survey to identify about 30 significant risks that have material impacts on the Group's business (once a year), and stress tests (twice a year), taking account of real estate market conditions, transaction conditions, and the financing status of financial institutions. The results are reported at the Board of Directors' meetings.

Regarding the Hotel Business in which a series of new hotels have been opened, we have identified significant risks including emergency accidents and fires (10 risks) with priority on management of risk of general guests being affected by a disaster, set up a manual including business execution procedures to follow in the event of an accident, and implemented drills and trainings regularly at each hotel.

(2) Enhance monitoring of risk management

At monthly Risk Management and Compliance Committee's meeting, the states of our responses to emerging risks are checked, information gathering efforts on latent risks are continued, and the details are reported at the Board of Directors' meeting held each month, in addition to which the outcomes of the responses are monitored by the Internal Audit Department.

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

All employees are encouraged, at morning briefings, training sessions and meetings, to report promptly to the heads of each department, and the heads of each department are kept informed of their duty to report to full-time Directors and Audit & Supervisory Board Members.

(4) Promptly react to any occurrence of contingencies and disclose information

In case of occurrence of a contingency, a natural disaster, etc., a crisis management office directed by the President and CEO as the head will be established to collect information, confirm facts and circumstance, develop and implement countermeasures, and properly disclose information in a timely manner.

During the fiscal year under review, we made efforts to widely inform points to note including on employee attendance management to ensure timely reporting of our COVID-19 measures to

full-time Directors. Furthermore, we periodically review the Crisis PR Manual, and develop simulation of possible crisis in response to conditions at the time and consider countermeasures on an ongoing basis.

4. Efficient Execution of Duties by the Directors

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

In order to further enrich and to make more efficient the deliberations of the Board of Directors (held on a regular and a temporary basis), we have implemented management meetings held on a monthly basis and pre-Board meeting discussions to confer beforehand on matters to be resolved by the Board of Directors.

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

Annual business plans and budgets are prepared toward the achievement of the three-year medium-term management plan.

When drawing up the business plans and budgets for each fiscal year, we analyze the economic environment in Japan and overseas and the operating environment in the real estate market, conduct separate discussions with each department and Group company without setting goals that are over-ambitious, and make our final decisions as consolidated budgets at the Board of Directors' meeting.

During the fiscal year under review, the Company's Directors including Outside Directors engaged in repeated discussions concerning the formulation of a new medium-term management plan to be implemented from the next fiscal year.

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

We have been implementing organizational changes and other modifications in order to execute business appropriately and efficiently. This is in response to changes in the content of the businesses, the increase in the number of employees associated with the expansion of business including new businesses, and the increase in the number of Group companies, etc. With respect to the crowd funding business which established the first fund during the fiscal year under review, the Company resolved to establish the Crowd Funding Department at the start of the next fiscal year to clarify the line of responsibility and prepare for further growth of the fund size going forward. In addition, the DX Promotion Department was established to study and implement digital transformation in the Group both in terms of business and operation control.

5. Properness of operations of entire Group

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

Through various trainings, etc. conducted by the Company and each Group company, we are striving for a full penetration of the understanding of the Group's philosophy and improvement of compliance awareness. In addition, we share information on compliance through implementation of the risk management and compliance program, established by the Company and each Group company, and attendance of responsible personnel of each Group company to meetings of the Company's Risk Management and Compliance Committee. Furthermore, the Company's in-house booklets about compliance with laws and regulations, called the Compliance

Mind, are distributed to the Group companies to keep them informed of the importance of compliance. Also, we conduct the compliance and corporate philosophy questionnaire every fiscal year for all officers and employees in the Group, identify issues of each Group company, and consider responses to such issues.

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

Regarding the management of each Group company and significant risks (about 30 items) related to their business, risk evaluations are conducted each fiscal year. At the same time, the Company's full-time Directors, Executive Officers in the Administrative Division, etc. are concurrently appointed as Director or Audit & Supervisory Board Member for each Group company with the remit of monitoring and supervising each Group company's responses to risks. Every month, each Group company reports management conditions and their responses to risks at the meeting of the Board of Directors or pre-Board meeting discussions of the Company, and the Risk Management and Compliance Committee's meeting. Moreover, the response of these Group companies and the results thereof are continuously audited or monitored by the Company's Internal Audit Department, which may also conduct checks using external agencies as necessary. During the fiscal year under review, we built a system for timely and appropriate reporting by each Group company regarding COVID-19.

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

Annual business plans and budgets are prepared for each Group company, aimed toward the achievement of the Group's three-year medium-term management plan.

When drawing up the business plans and budgets for each Group company for each fiscal year, we analyze the economic environment in Japan and overseas as well as the environment for the business of each Group company, then make final decisions as consolidated budgets at the Board of Directors' meeting of the Company based on separate discussions with each Group company so as to avoid setting goals that are over-ambitious.

The progress of the business plans and budgets is reported by representative directors of each Group company at the Board of Directors' meeting or the pre-Board meeting discussions of the Company on a monthly basis, and also, responses to new issues are deliberated and areas to be focused during the next half-year period are specified at the growth strategy meeting held with each Group company on a half-yearly basis.

During the fiscal year under review, we held discussions with Group companies on the next medium-term management plan commencing from the next fiscal year at the growth strategy meeting with each Group company.

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

With regard to important matters in the management and latent risks of each Group company, reports are made each month at meetings of the Board of Directors and the Risk Management and Compliance Committee of the Company. Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management and Compliance Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

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

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

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

In addition, the Company replaced the core accounting system during the fiscal year under review, and smoothly transitioned to the new scope and methods of evaluation regarding new IT control centering on the core system, in accordance with consultation with the audit corporation.

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

Wrongful acts and/or irregular transactions are monitored by Directors and Audit & Supervisory Board Members of the Company through management reports of each Group company at the pre-Board meeting discussions each month, opinion-exchanging meetings attended by Outside Directors and the audit corporation, opinion-exchanging meetings (twice a year) attended by full-time Audit & Supervisory Board Members of the Company with representative directors of major Group companies, and the investigation of subsidiaries by full-time Audit & Supervisory Board Members (once a year). Also, internal rules have been established requiring any significant transactions by a Group company with the Company or other Group companies to be reported in advance to the Board of Directors of the Company.

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

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

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

(2) Ensure the independence of the aforementioned members of staff from Directors

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

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

Reports are made in a timely and appropriate manner at corporate governance meetings, comprising full-time Directors and full-time Audit & Supervisory Board Members (held monthly), as well as in the interviews by full-time Audit & Supervisory Board Members with the President and CEO (once a month), other full-time Directors (once a quarter), and heads of each department (once a half year).

In addition, opinion-exchanging meetings concerning threefold auditing are held regularly (once a half year), between the Company's full-time Audit & Supervisory Board Members, the Internal Audit Department, and the audit corporation.

Regarding the whistle-blowing system, besides informing the employees of the Company that

full-time Audit & Supervisory Board Members of the Company will act as regular contact points, reports made to the internal contact point (the chairman of the Risk Management and Compliance Committee) or to the external contact point (an external agency) will all be promptly reported to full-time Audit & Supervisory Board Members. Therefore, the system is designed so that reported facts are swiftly transmitted to full-time Audit & Supervisory Board Members.

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

At the pre-Board meeting discussions of the Company, where each Group company makes the monthly management reporting, and at interviews by full-time Audit & Supervisory Board Members of the Company with representative directors of each Group company held on a regular basis, each Group company is required to report occurrence and signs of any material losses and significant risks associated with management of the Group company. All officers and employees of the Group are continuously informed at morning briefings and training sessions that those who identify any breach of laws and regulations or misconduct have a duty to report Audit & Supervisory Board Members of the Company promptly.

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

Regulations of the Company explicitly state that those who report Audit & Supervisory Board Members or whistle-blowers are protected from any disadvantageous treatments. Such policy is continuously informed at training sessions, etc., and is also stated in the explanation of systems on the Company's intranet and in leaflets, etc. distributed to employees.

In the compliance training sessions held during the fiscal year under review, video recording of a lecture by the Company's Director was widely distributed, in an effort to get across to its employees the Group's emphasis on protection of whistle-blowers in the Group whistle-blowing system in particular.

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

The Company continues to operate a whistle-blowing system that provides three contact points, internal, external, and through Audit & Supervisory Board Members of the Company. Reports to the internal and external contact points, if any, are promptly reported to Audit & Supervisory Board Members, and when no whistle-blowing has occurred, this fact is reported on a monthly basis.

In addition, all officers and employees of the Group are provided with a leaflet on which the contact points of the whistle-blowing system are listed, and are continuously informed of the system through various training sessions relating to compliance, morning briefings, and the publication of notice, etc.

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

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

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

At the Board of Directors' meeting held subsequently to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. Also, Directors receive reports on audit activities by full-time Audit & Supervisory Board Members on a monthly basis, and report at the Board of Directors' meeting once every three months the status of their responses to the issues raised by Audit & Supervisory Board Members through meetings, etc.

(9) Cooperation by Directors aiming to enhance audits by Audit & Supervisory Board Members across the entire Group

At the Board of Directors' meetings, the pre-Board meeting discussions, management meetings, and the Risk Management and Compliance Committee's meetings, Directors report the management conditions of the entire Group, risk information, etc. to Audit & Supervisory Board Members and share information. Furthermore, the periodic interviews by full-time Audit & Supervisory Board Members with full-time Directors including the President and CEO, heads of each department, and representative directors of major Group companies, as well as the liaison meetings of Audit & Supervisory Board Members of the Group companies (on a half-yearly basis) are held where full-time Directors offer cooperation as full-time Audit & Supervisory Board Members require.

## 2. Basic Policies for Eliminating Anti-social Forces and Progress of System Establishment

The Company recognizes any association with anti-social forces will result in a breach of laws and regulations. The Company always treats this as a critical matter and takes countermeasures so as to refuse any transaction with such. In the event any dispute arises between the Company and anti-social forces, it will stand firmly against them.

In ordinary times, the Company makes it a rule to research and confirm that new business counterparty is not one of the anti-social forces, prior to the commencement of any transaction. If any issue arises, it will be handled, not by an individual, but by a team including the General Affairs Department (to which an officer responsible for unreasonable claim preventions belongs), and the Company will also coordinate closely with the legal counsel and the office of police responsible for the area. In addition to developing "The manual for acting against anti-social forces", the Company has provided the basic policies for eliminating any contact with anti-social forces and the checkpoints on the specific actions in the Company's compliance guidebook. The Company annually offers a training session and educate its employees in coping with such anti-social forces.

## V. Others

### 1. Whether Takeover Defense Measures Are in Place

| | |
|---|---|
| Whether Takeover Defense Measures Are in Place | Yes |

Supplementary Explanation Concerning the Subject Matter

Basic Policy as to How the Persons Who Control Decision-making of the Financial and Business Policies of the Company Should Be

(1) Contents 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.

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 group covers with its comprehensive capability the five business fields and peripheral 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 those businesses with knowledge and experience specializing in real estate and finance, etc., (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) Overview of the special measures to realize the basic policy

The Group established its three-year medium-term management plan aiming to further increase the Group's corporate value and is pushing ahead with business under the plan.

Established in 2017, the medium-term management plan "Seamless Growth 2020," which extends from December 2017 to November 2020, aimed to achieve a record high profit before tax of ¥12 billion, and the Group has been making efforts toward the basic policies of achieving further growth of existing businesses, establishing new income-generating businesses, and initiatives for strengthening the business base that supports growth.

As a result of the above measures, the Group achieved ¥12 billion in profit before tax, one year ahead of schedule in the fiscal year ended November 30, 2019, the second year of the medium-term plan. In January 2020, the Group revised its target figure for the final year of the plan to ¥13 billion in profit before tax. However, as the aforementioned valuation loss was recorded due to the COVID-19 outbreak in the fiscal year under review, revenue, profit before tax, three-year average ROE, and three-year average profit growth ratio fell below the plan. With the ratio of real estate Trading business and stable businesses at 24:76 as a result of the aforementioned valuation loss (52:48 disregarding the valuation loss), the Group has achieved a firm financial base toward the stage of recovery and growth in the future by maintaining the level of equity ratio, ensuring liquidity on hand, and making other efforts.

In accordance with the expiration of the period of the previous medium-term management plan, the Group has formulated a new medium-term management plan "Infinite Potential 2023" kicked off in the fiscal year ending November 30, 2021, covering the period from December 2020 to November 2023. Changes in the environment surrounding the real estate industry include global warming, a rise in awareness regarding corporate social responsibility, aging society with low, birthrate, as well as new workstyles and diversifying lifestyles triggered by rapid advances in technology including DX and IT. With the awareness that real estate is a social infrastructure that supports life, the Group will genuinely work on social issues relating to real estate and push forword in pursuit of the infinite growth protential of the Group.

In this plan, the Group sets out "pursue the Group's infinite growth potential" as the main policy, and will strive for further growth, business transformation through the use of digital technology, contribution to SDGs through business and promotion of ESG management to improve corporate value. Specifically, the Group aims to promote initiatives Group-wide by incorporating efforts on environmental/social issues in the individual measures of each business. The Revitalization Business aims to extend the service life of buildings by renovating existing real estate, as well as differentiate and improve profitability of products by creating added value through upgrades focusing on comfort

and safety. The Development Business will incorporate elements such as eco-friendliness and crime prevention/disaster preparedness in product planning with aiming to increase the brand value of each product through product planning that will be supported by customers. Both the Revitalization Business and the Development Business will leverage IT to promote sales activities, strengthen decision-making capabilities in investments and Group-wide cooperation to reinforce the structure toward expanding business scale. In the Stock and Fee Business, the stable source of income, the Group will aim to expand business scale and improve profitability through initiatives such as providing high-quality services and enhancing customer satisfaction with a focus on ESG as well as reviews of operational processes by leveraging IT in each of the Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. Recognizing that the fusion of DX and real estate presents a new business opportunity, the Group will expand assets under management in the crowd funding business, commercialize an investment scheme using security tokens, and other projects as initiatives to create new income-generating models.

On the financial front, the Group will work on effective investments while strengthening funding capabilities and maintaining a sound financial structure to support the expansion in business scale and asset balance.

(3) Overview of the measures to prevent persons deemed as inappropriate, in view of the basic policy, from controlling the decisions on the Company's financial and business policies

This plan is a measure to prevent persons deemed as inappropriate, in view of the aforementioned basic policy, from controlling the decisions on the Company's financial and business policies, 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 to be followed in an acquisition, etc. of shares, etc. of the Company ((A) a purchase and/or other acquisition of the shares and the like issued by the Company that would result in the holding ratio of share certificates, etc. *(kabuken tou hoyuu wariai)* of a holder *(hoyuusha)* of 20% or more; or (B) a tender offer *(koukai kaitsuke)* with respect to the shares, etc. issued by the Company that would result in the sum of the offeror's ownership ratio, and that of the persons having a special relationship with the offeror, of 20% or more; or any actions similar to (A) or (B) above) by those trying to acquire (hereinafter, the "Acquirer").

Specifically, the Acquirer must provide the Company a statement of undertaking and an acquisition document that includes necessary information, prior to making an acquisition.

Upon receiving these documents, an independent committee will conduct the review 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, the review of alternative plans, etc. presented by the Company's board of directors, and discussions and negotiations with the Acquirer, while obtaining advice from independent experts. In the meantime, the Company will disclose information in a timely manner.

When the acquisition is not in compliance with the procedures stipulated in the plan, and/or there is possibility of such offer to apparently cause harm to the corporate value of the Company and, in turn, to the common interests of shareholders, and it is appropriate for the Company 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 comply with 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 will acquire the stock acquisition rights in exchange for shares of the Company from persons other than the Acquirer. The Company's board of directors will resolve, as an agency stipulated by the Companies Act, as to the implementation or non-implementation of the gratis allotment of stock acquisition rights, fully respecting the recommendation of the Independent Committee. 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 follow the shareholders' intent. If the procedures under this plan have commenced, the Acquirer must refrain from making any acquisition until the Company's board of directors resolves not to trigger the plan. The plan will remain in effect until the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years of the conclusion of the 71th 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.

(4) Assessment by the Company's board of directors regarding specific measures and reasons thereof

Company's board of directors is of the view that the various measures to enhance the corporate value, including the new medium-term management plan and other measures to strengthen corporate governance have been established as specific actions to continuously and sustainably enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these are in line with the basic policy, do not undermine the common interests of the Company's shareholders and are not for the purpose of maintaining the positions of the Company's corporate officers.

In addition, the Company's board of directors is of the view that the plan is in line with the basic policy, does not undermine the common interests of the Company's shareholders, and is not for the purpose of maintaining the positions of the Company's corporate officers, based on the following reasons: an approval at the general meeting of shareholders has been obtained for its renewal; its maximum effective period is stipulated to be 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 comprised of the members that are independent of the management of the Company, has been established and the countermeasures stipulated in the plan requires the decision by the independent committee for actual executions; 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.

## 2. Other Matters Concerning the Corporate Governance System

1. Overview of the Corporate Governance System

Tosei Group has implemented the "system to ensure that directors' execution of duties comply with relevant laws and regulations as well as the articles of incorporation, and other systems to ensure appropriateness in the operations of the Company", as stipulated in the Company Act (so called

"an internal control system"). (Please refer to "Basic Policies of Internal Control Systems and the Progress of the System Development" for the detail.) Furthermore, the Group works to enhance its risk management system and offers compliance training for all of its employees in the Group, as well as to develop and enhance the timely information disclosure system. In addition, in January 2019, the Group established the Tosei Group ESG Policy and set up the ESG Promotion Meeting. The Group recognizes that environmental, social and corporate governance initiatives are important management matters, and will aim for its continuous growth by contributing to society through earnest efforts to address social issues related to real estate.

2. Overview of Timely Information Disclosure System

**(1) Basic Policy**

From the viewpoint of corporate governance, corporate social responsibility, and the enhancement of corporate value over the medium- to long-term, the Company believes that proper management of corporate information and timely and rational disclosure of important information is the most important responsibility of a corporation. Therefore, it believes that a proper management of the corporate information and a timely and rational disclosure of the important information is the most important responsibility of a corporation. Hence, the Company is making efforts to develop necessary internal systems for its timely information disclosure, in order to firmly establish the investors' trust in the Company and the credit standing of the Company in the capital market.

**(2) System for a Timely Information Disclosure**

(A) The Officers/Department in Charge of Information Disclosure

(i) The Officers/Departments in Charge of Information Disclosure
The executive responsible for the Company's information disclosure is the Senior Executive Officer of Administrative Division and the department in charge is the Corporate Management Department.

(ii) Information Disclosure Committee
The Company has a deliberation body, the Information Disclosure Committee which consolidates and then shares all the relevant information, reviews and determines necessity and contents of the disclosure, in order to ensure a proper and timely disclosure of the corporate information.

Chaired by the executive in charge of information disclosure, the Disclosure Committee is constituted by Company's the Senior Executive Officers of each division, and the Executive Officers of each department appointed by the chair in charge of information disclosure, Corporate Management Department functioning as a secretarial office. The Disclosure Committee is responsible for ensuring the Company's disclosure in accordance with the relevant laws and regulations described in (C) below.

(B) Identifying and Verifying Information to be Disclosed

In order for the Company to disclose its corporate information in a proper and timely

manner, the Corporate Management Department in charge of the information disclosure works to establish a system which enables close communications with the Board of Directors, the Management Committee, the operational and administrative departments, as well as the Company's subsidiaries.

(i) The Board of Directors, Pre-Board meeting discussion, and Management Committee Meetings
The officer in charge of information disclosure is a constituent member of the Board of Directors, the Pre-Board meeting discussion and the Management Committee Meeting, and the Company maintains a system which allows prompt identification of the matters that may require timely disclosures.

(ii) The Operational and Administrative Divisions
As for the operational and administrative divisions, the General Affairs Department reviews the circulated approval request memorandums, from the compliance standpoint. This enables the Corporate Management Department to identify the matters which may be subject to information disclosure.

(iii) The Subsidiaries
We are striving to verify conditions of the Company's subsidiaries by requiring a monthly report regarding the operational conditions of the Company's subsidiaries at the Pre-Board meeting discussion, in addition to requiring an operational report from the Board of Directors once a quarter. Also, the Company maintains a system through which it acquires their information requiring information disclosure by such measures as sending directors to the subsidiaries.

(C) The Guidelines for Timely Information Disclosure

The following laws and regulations are referred to by the Company as the basis in determining the necessity of timely disclosure of its corporate information:

(i) Companies Act, Financial Instruments and Exchange Act, and other relevant laws and regulations

(ii) Rules and regulations of the Tokyo Stock Exchange

(iii) Rules and regulations of the Singapore Exchange, which the Company is required to comply with because of its secondary listing on the said Exchange

(iv) The Articles of Incorporation of the Company

(v) The Insider Trading Prevention Regulations of the Company

(vi) The Information Disclosure Regulations of the Company

(vii) The Disclosure Policies of the Company (available on the Company's website)

(D) Operational Flow of the Information Disclosure (Please refer to the appendix.)

・ The significant information of the Company as determined in our Information Disclosure Regulations, such as "information legally required to be disclosed", "information required to be timely disclosed", "information based on fair disclosure rules" or "information required to be disclosed by the Singapore Exchange", is promptly reported by the relevant operational department to the General

Affairs Department, a secretarial office of the Company's management committee meetings and the board meetings. The General Affairs Department then instruct the subject departments to carefully manage such information and review the details of such information if necessary and promptly make a report to the Corporate Management Department.

- The Corporate Management Department as the office of the Information Disclosure Committee reports such pieces of information to the Committee for its review, and the Committee determines whether the disclosure is necessary.

- With respect to the information whose disclosure is decided to be necessary, the Corporate Management Department drafts up the disclosure documents, with the advice/guidance of the legal counsels and/or the accounting auditors as appropriate, and the General Affairs Department confirms the contents of the disclosure. In finalizing the contents of the disclosure, the Corporate Planning Department further obtains a resolution from the Board of Directors on those matters requiring the board resolutions, and/or an approval by the President and CEO for other matters requiring the Company's approvals.

(E) Procedures for a Timely Disclosure

(i) General Procedure

The Corporate Management Department makes timely disclosure though the "Timely Disclosure Network (TDnet)" operated by the Tokyo Stock Exchange. It also discloses the same information in English simultaneously through "SGXNET" operated by the Singapore Exchange. Upon such disclosure, the Company also distributes an announcement on the disclosed information to press clubs and other media immediately. Such announcement is also posted on the Company's corporate website. The Company actively discloses other information which is not subject to the timely disclosure requirements on the website, from the standpoint of investors' fairness.

(ii) Emergency Case Procedure

The information is disclosed promptly based on the judgment by the President and CEO or the Senior Executive Officer in charge of the information disclosure.

**(3) Managing Corporate Information**

(A) Preventing Information Leakage

In accordance with the Insider Trading Prevention Regulations, the Executive Officer of Administrative Division serves as the person responsible for management of the significant insider information within the Company, communication with the Japan Securities Dealers Association, and management of a timely disclosure of the Company's internal control (the Officer in Charge of Information Handling). With respect to the insider information, access and utilization are limited only to those whose access is deemed as necessary in the course of business duty. Further, the General Managers of each department take such measures as placing strict controls over the storage of documents and electronic data that contain such insider information he/she obtained in the course of duty, so as to prevent any leakage. In

the event drafting of document and/or preparation of material is outsourced, the Company takes appropriate actions to ensure confidentiality.

(B) Insider Trading Regulation

In an effort to prevent its employees and officers from committing insider trading , the Company has set out the items to be observed by its employees and officers with respect to handling of the Company's insider information they obtained in the course of their duty, restrictions on trading of the Company's shares and other transactions, as well as fulfilling their operational duties, in accordance with the Insider Trading Prevention Regulations. Further, it works to enhance the effectiveness of the regulations by requiring the following specific actions:

(i) Restrictions on the trading conducted by the Company's employees and directors

The Company requires its employees and directors, as a base rule, to submit an "application for trading of shares, etc." to the officer in charge of handling insider information for his/her approval, when they are to transact in the shares of the Company. It also requires them to report the results of such trading to the officer in charge of handling insider information, using the "report of securities trading results".

(ii) Managing of insider Information

In the event where any information of the Company or other listed companies that may be deemed insider information came to the knowledge of the Company's employees and/or directors, the Company requires them to submit "report on accessing internal information of the Company" or "report on accessing internal information of other companies", and reports to the officer responsible for handling internal information.

(iii) Periodical activity reports by Information Disclosure Committee at the board meetings

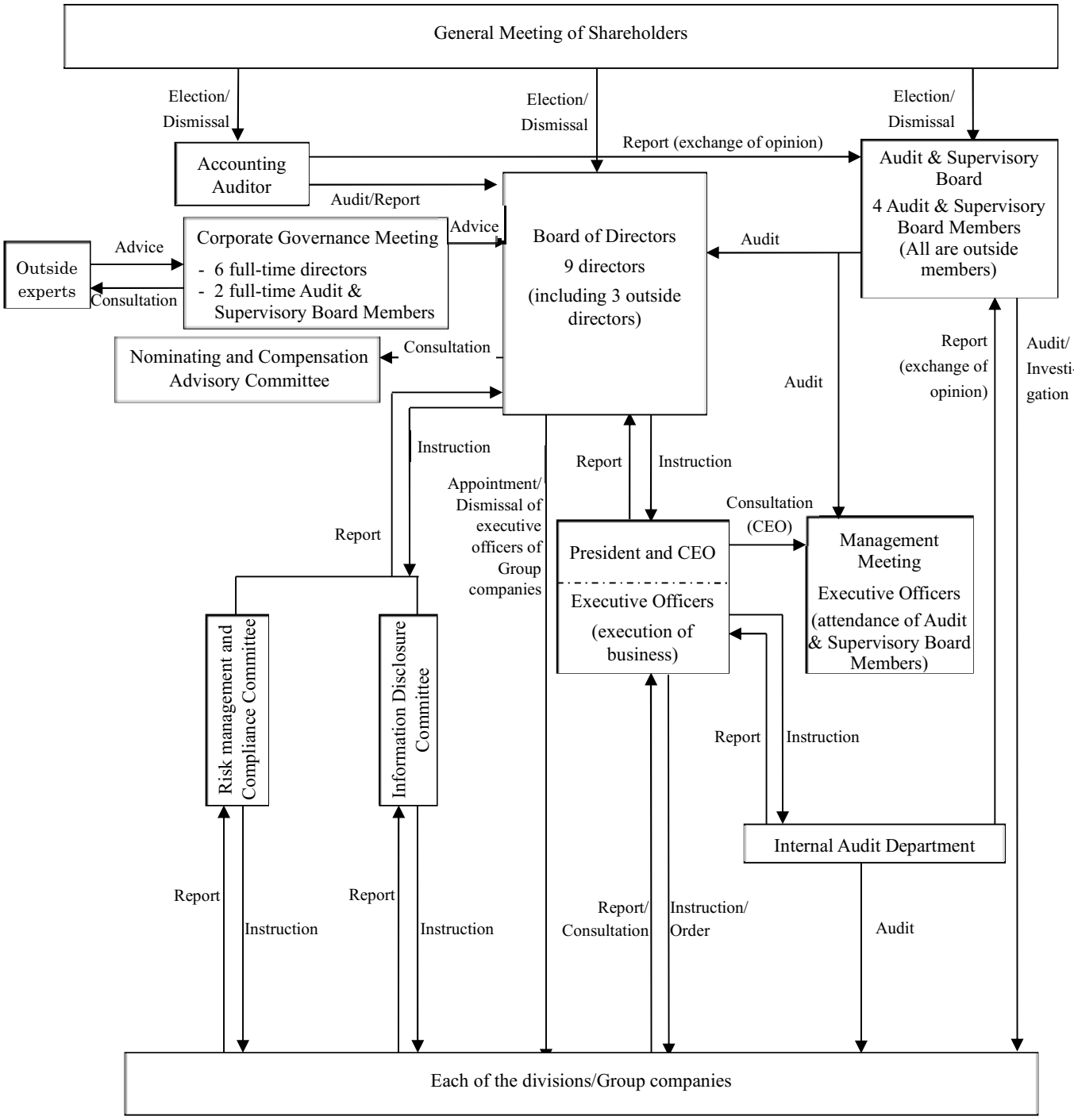
With respect to the "activities done by the Information Disclosure Committee", the Company designates such activities as one of the agenda items to be regularly reported at the monthly board meetings, to ensure that its directors are fully aware of the current status of the Company's timely disclosure and information control.

(iv) Educating employees and directors of the Company

The Company tries to educate and enlighten its employees and directors regarding the insider trading issues, during the training sessions organized by the General Affairs Department.

The End of Document

Tosei Corporation's Corporate Governance System - Diagram



Tosei Corporation's Information Disclosure - Operational Flow

