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Tosei Corporation

Securities Code: 8923
February 6, 2018

Dear Shareholders,

Notice of the 68th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 68th Ordinary General Meeting of Shareholders of Tosei Corporation (the "Company"; this meeting, the "Meeting"), which will be held as described below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electromagnetic method (using the Internet, etc.). Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 6:00 p.m. on Monday, February 26, 2018 (JST).

For information on voting results when voting rights are exercised by electromagnetic method (using the Internet, etc.), please refer to "Guide to Exercising Voting Rights via the Internet" on pages 76 through 77.

Sincerely yours,

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

Details

1. Date and Time:

Tuesday, February 27, 2018, at 10:00 a.m. (JST) (The reception for attendees begins at 9:00 a.m.)

2. Place:

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

3. Purpose of the Meeting

Matters to be reported:

a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements, for the 68th term (from December 1, 2016 to November 30, 2017)

b. Non-consolidated Financial Statements for the 68th term (from December 1, 2016 to November 30, 2017)

Matters to be resolved:

Proposal 1: Appropriation of Surplus

Proposal 2: Partial Amendments to the Articles of Incorporation

Proposal 3: Election of Seven (7) Directors

Proposal 4: Revision of Remuneration for Directors

Proposal 5: Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

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

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

(Attachment)

Business Report

(From December 1, 2016 to November 30, 2017)

1. Current status of the Group

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

a. Business developments and results

During the fiscal year ended November 30, 2017, the Japanese economy continued to grow against a backdrop of increased exports and expanded capital investment by corporate entities. The current economic recovery, which began in December 2012, is now the second-longest post-war recovery period, surpassing the Izanagi economic boom. Moderate growth is expected to continue going forward, backed by rising corporate earnings and stable personal consumption, despite concerns over geopolitical risks and downside risks of political trends in Europe and the U.S.

In the real estate industry where Tosei Group operates, transactions are increasing. Domestic real estate transactions from January to September 2017 rose 6% year on year to ¥2.96 trillion, due to an increase in the number of investors considering sales of their real estate holdings against a backdrop of rising real estate prices and growing transactions in areas surrounding central Tokyo and regional areas, where the effects of rent increases can be seen. Demand for real estate investment is likely to continue for some time against the backdrop of a favorable financing environment, and real estate transactions for the full year 2018 are anticipated to rise around 10% year on year to approximately ¥4 trillion (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold from January to October 2017 remained unchanged year on year. The average sales price in the Tokyo metropolitan area continued to rise due to comparatively favorable sales of high-priced properties in the central Tokyo area. However, the average contract rate for the first month, during the same period was below the 70% threshold from which market conditions are viewed as favorable, as sales of mainly suburban properties continued to struggle (according to a survey by a private research institute).

In the Tokyo metropolitan area build-for-sale detached house market, demand for detached houses, which are perceived as comparatively inexpensive compared with condominiums, is strong and housing starts from January to September 2017 rose 1.2% year on year (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

The office leasing market of Tokyo's five business wards has been performing favorably, backed by strong demand for office expansion by corporate entities continuing good performance. The vacancy rate as of October 2017 declined from 3.6% year on year to 3.0%, and the average asking rent was ¥19,000 per tsubo (1 tsubo = 3.3m^2), a 3.2% increase year on year. An upsurge in supply of large-scale office buildings is anticipated from 2018. However, the vacancy rate is expected to remain in a moderate downtrend, backed by firm corporate demand going forward (according to a survey by a private research institute).

In the real estate securitization market, the market scale expanded to ¥31 trillion (an increase of ¥2.3 trillion year on year) as a result of continued demand for real estate investment, which offers high returns compared with other investment products. The total value of assets under management as of June 30, 2017 was ¥16.2 trillion in J-REITs, (an increase of ¥1.4 trillion year on year), and ¥14.8 trillion in private placement fund, (an increase of ¥0.9 trillion year on year) (according to a survey by a private research institute).

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

proactively acquired income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the fiscal year under review totaled ¥57,754 million (up 15.9% year on year), operating profit was ¥9,833 million (up 6.0%), profit before tax was ¥9,049 million (up 7.1%), and profit for the year was ¥6,155 million (up 11.0%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 58 properties it had renovated, including The Square Seiseki-sakuragaoka Building (Tama-shi, Tokyo), Kuramochi Building First (Sumida-ku, Tokyo), Kameido Tosei Building (Koto-ku, Tokyo), Twin Avenue (Nerima-ku, Tokyo), Onoe-cho 6-chome Building (Yokohama-shi, Kanagawa), MILESTONE Higashikurume, (Higashikurume-shi, Tokyo) and T's garden Urayasu II (Urayasu-shi, Chiba). In addition, the segment sold 45 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Renai Kamakura Ueki (Kamakura-shi, Kanagawa).

During the fiscal year under review, it also acquired a total of 51 income-generating office buildings and apartments and eight land lots for renovation and sales purposes.

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

As a result, revenue in this segment was ¥40,268 million (up 56.0% year on year) and the segment profit was ¥7,845 million (up 96.1%).

Development Business

During the fiscal year under review, the segment focused on sale of detached houses, for which there was firm demand. The segment sold 121 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama) and THE Palms Court Kamakura-Shiromeguri (Kamakura-shi, Kanagawa).

During the fiscal year under review, the segment also acquired one land lot for hotel, one land lot for condominiums for sale and one land lot for rental condominiums and 49 land lots for detached housing projects.

As a result, revenue in this segment was ¥5,197 million (down 60.4% year on year) and the segment loss was ¥408 million (in comparison with segment profit of ¥3,674 million in the previous fiscal year).

Rental Business

During the fiscal year under review, while the segment sold 37 buildings of its inventory assets held for leasing purposes, it newly acquired 41 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥6,194 million (up 17.3% year on year) and the segment profit was ¥2,581 million (up 8.0%).

Fund and Consulting Business

During the fiscal year under review, while ¥39,864 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥143,886 million was added to the balance of assets under management ¥448,186 million for the end of the previous fiscal year, due mainly to new asset management contracts of large projects the segment obtained. The balance of assets under management as of November 30, 2017, was ¥552,208 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥2,763 million (up 20.0% year on year) and the segment profit was ¥1,273 million (up 33.9%).

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

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 665 as of November 30, 2017, an increase of 71 properties from November 30, 2016, with that total comprising 395 office buildings, hotel, schools and other such properties, and 270 condominiums and apartments.

As a result, revenue in this segment was ¥3,330 million (up 13.1% year on year) and segment profit was ¥278 million (up 96.9%).

Others

During the fiscal year under review, revenue in this segment was ¥0 million (down 100.0% year on year) and the segment loss was ¥74 million (up 318.5%).

Business segment	Revenue
Revitalization Business	¥40,268 million
Development Business	5,197
Rental Business	6,194
Fund and Consulting Business	2,763
Property Management Business	3,330
Others	0
Total	57,754

b. Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥1,326 million.

c. Status of financing

The Group raised funds of ¥38,871 million by means of non-current loans during the fiscal year under review.

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

a. Trends in operating results and assets of the Group

	65th term (Year ended November 30, 2014)	66th term (Year ended November 30, 2015)	67th term (Year ended November 30, 2016)	68th term (Year under review) (Year ended November 30, 2017)
Revenue (Thousands of yen)	49,981,563	43,006,964	49,818,113	57,754,328
Profit before tax (Thousands of yen)	4,663,706	6,040,311	8,450,048	9,049,467
Profit attributable to owners of the parent (Thousands of yen)	2,874,226	4,135,816	5,547,469	6,155,169
Basic earnings per share (Yen)	59.53	85.66	114.89	127.48
Total assets (Thousands of yen)	80,858,080	93,196,052	121,276,292	122,550,281
Total equity (Thousands of yen)	32,727,836	36,228,378	41,010,083	46,158,867

(Note) The above table has been made under International Financial Reporting Standards (IFRS).

b. Trends in operating results and assets of the Company

	65th term (Year ended November 30, 2014)	66th term (Year ended November 30, 2015)	67th term (Year ended November 30, 2016)	68th term (Year under review) (Year ended November 30, 2017)
Net sales (Thousands of yen)	45,361,084	37,242,841	41,965,432	45,491,580
Ordinary income (Thousands of yen)	4,130,769	5,553,118	7,123,434	7,218,097
Net income (Thousands of yen)	2,439,091	3,906,732	4,734,766	5,449,682
Net income per share (Yen)	50.52	80.91	98.06	112.87
Total assets (Thousands of yen)	76,218,316	88,071,296	114,085,085	115,196,337
Net assets (Thousands of yen)	31,131,670	34,478,314	38,455,373	42,889,054

(Note) The above table has been made under Japanese GAAP.

(3) Status of significant parent company and subsidiaries

a. Status of significant subsidiaries

Name of company	Capital or investments in capital	Equity ownership [Indirect equity ownership]	Major lines of business
Tosei Community Co., Ltd.	¥99,500 thousand	100.0%	Property management business
Tosei Asset Advisors, Inc.	¥100,000 thousand	100.0	Fund and consulting business
Tosei Revival Investment Co., Ltd.	¥50,000 thousand	100.0	Real estate consulting business
Urban Home Corporation	¥100,000 thousand	100.0	Development business
Kishino Corporation	¥10,000 thousand	100.0	Revitalization business
Four Big Corporation	¥80,000 thousand	100.0	Revitalization business
KS Properties Corporation	¥100 thousand	100.0	Revitalization business
Tosei Hotel Management Co., Ltd.	¥20,000 thousand	100.0	Hotel management
Tosei Hotel Kanda Co., Ltd.	¥10,000 thousand	(100.0)	Hotel management
Tosei Chintai Hosho LLC	¥3,000 thousand	100.0	Property management business
Tosei Singapore Pte. Ltd.	S$4,000,000	100.0	Rental business
CSC	¥35,000 thousand	100.0	Other business

(Note) KS Properties Corporation was acquired in an M&A transaction during the fiscal year under review, while Tosei Hotel Kanda Co., Ltd. was established as a subsidiary and both have been included in the scope of consolidation.
In addition, the consolidated subsidiary previously known as Kishino Real Estate Corporation was excluded from the scope of consolidation as a result of the completion of liquidation on November 24, 2017.
CSC (trade name changed from “Crystal Sports Club” as of December 1, 2016) underwent a company split and the Company sold shares of the newly established Crystal Sports Club.

b. Results of business combinations

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

(4) Issues to be addressed

Fundamental management policy

The Tosei Group’s corporate philosophy is to create new value and inspiration in all aspects of real estate as a group of global-minded and experienced professionals. With constant commitment to quality construction, the Group is striving to integrate real estate and finance in its five business segments: Revitalization, Development, Rental, Fund and Consulting and Property Management. The Group is also aiming to contribute to society and increase its corporate value through these five businesses.

Report on progress toward medium-term management plan

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.

Under the previous medium-term management plan called "Advancing Together 2017" (the targeted period of the plan was three years from December 2014 to November 2017), the Group strived to strengthen its income base by expanding and developing the five existing businesses, with focus on the Revitalization and Development Businesses. Specifically, in the Revitalization Business, we further developed business by expanding value-up plans through acquisition with the use of real estate M&A transactions and supply of revitalized products featuring specific themes, which have been converted from vacant buildings, dormant houses and others into hotels, shared houses, etc. In the Development Business, we continued to develop the "T's BRIGHTIA" commercial facility series, while in the development of detached houses, we made Urban Home Corporation a Group company as a measure to reinforce acquisition of land and sale, and improved quality and reduced cost by starting in-house construction management. In the Fund and Consulting Business, assets under management as of November 30, 2017 exceeded ¥550 billion, an all-time high. In the area of new businesses, we decided to make inroads into the hotel business, and opened the first hotel developed in-house in December 2017.

In the meantime, with regard to internal control, we established the Basic Policy on Corporate Governance concerning each principle of Japan's Corporate Governance Code, and have worked on the enhancement of governance of the Group through such measures as the establishment of the Nominating and Compensation Advisory Committee as an advisory body to the Board of Directors. Furthermore, we positioned the development of next-generation executives as an important task, and have focused on the establishment of new managerial posts, the enhancement of training for mid-career employees and other measures.

As a result of these initiatives, consolidated revenue for the fiscal year under review totaled ¥57,754 million (up 15.6% compared with the fiscal year ended November 30, 2014), operating profit was ¥9,833 million (up 76.8%), profit before tax was ¥9,049 million (up 94.0%) and profit for the year was ¥6,155 million (up 114.2%).

Medium- to long-term management strategies of the Company

The Group newly formulated a medium-term management plan called "Seamless Growth 2020" (the targeted period of the plan is three years from December 2017 to November 2020), kicking off in the fiscal year ending November 30, 2018. The major policy of the plan is "to continue growth as a Group to build a firm position as an original comprehensive real estate company," under which we aim to establish new income-generating business, while targeting further growth of the five existing businesses and increases in their operating profit. In addition, we will endeavor to increase profits from the Rental, Fund and Consulting and Property Management Businesses, which are positioned as the stable businesses, to enable a structural balance between profits from the Revitalization and Development Businesses so as to reinforce our resilience to changes in the business environment. On the financial front, we will enhance funding capabilities, through methods such as the extension of borrowing periods to maintain a sound financial structure as the infrastructure that supports the expansion of business scale, while aiming at effective investments. In addition, as the composition of the Group's trade diversifies in line with the expanding business scale, we will further enhance the quality of internal control, namely, compliance, risk management, and disclosure, to establish an optimum corporate governance structure.

Furthermore, we recognize that human resources that are the most important assets of the Group, and to leverage these assets, we will drive ahead with the development of next-generation executives, all officers and employees and the fostering of human resources for the improvement of productivity, while increasing the satisfaction of employees of the entire Group. At the same time, we will strive to establish a corporate brand befitting the firm position as a group of original comprehensive real estate companies and reinforce the attractiveness of our product brand that will be trusted by the market.

<Quantitative plan (consolidated basis) for the medium-term management plan “Seamless Growth 2020”>

a. Consolidated revenue for the final fiscal year: ¥100 billion

b. Consolidated profit before tax for the final fiscal year: ¥12 billion

c. Average profit growth rate of the three years: 10% or more

d. Average ROE of the three years: 12% or more

e. Expansion of the ratio of stable businesses

- To make the ratio of the gross profit of the trading business to that of the stable business 50:50 in the final fiscal year*

f. Guideline for equity ratio: 35%

*Of the five existing business segments, the Revitalization Business and the Development Business are defined as the “trading business” and the Rental Business, the Fund and Consulting Business and the Property Management Business are defined as the “stable business.” Under this plan, gross profit of the trading business excludes sales expenses pertaining to property trading.

(5) Major lines of business (As of November 30, 2017)

Segment	Operations
Revitalization Business	The Tosei Group acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined through buying and selling real estate and M&A of companies with real estate holdings, boosts their value through "value-up plans" ("improved designs," "enhanced security functions, etc.," "increased eco-friendliness," and "improved profitability") judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. The Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This puts a focus on not only improving the convenience and functionality of properties but also providing satisfaction to owners and giving end users a sense of pride.
Development Business	In the main districts of Tokyo, there is a mixture of needs for offices, commercial facilities, residences, hotels and others, and the Tosei Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Tosei Group carries out development and new construction to maximize the value of the land. The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T's BRIGHTIA series) and mixed-use buildings, hotels, condominiums (the Palms series), as well as detached houses (Palms Court series and Comodo Casa series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds, and end-users.
Rental Business	The Tosei Group has expanded the scope of its business primarily in the main districts of Tokyo by acquiring office buildings, condominiums, stores and parking lots, and renting them out to end-users and others. As a landlord, the Tosei Group is capable of swiftly gathering accurate information on tenant needs to further enhance "value-up plans" by reflecting these needs.
Fund and Consulting Business	The Tosei Group conducts business as a type II financial instruments business as well as an investment advisory and agency business and an investment management business as provided for in the Financial Instruments and Exchange Act. Specifically, in addition to providing Tosei Reit Investment Corporation's asset management services, the Tosei Group also provides services such as selling and brokering trust beneficiary rights, and management of income-generating properties as asset management services for real estate funds. Also, the Tosei Group provides consulting services and real estate brokerage related to corporate real estate held by business entities.
Property Management Business	This business carries out building and equipment management, and security (building maintenance) for office buildings, apartments, hotels, commercial facilities, and educational facilities; owner proxy services, tenant management, tenant solicitation, and building management (property management); and management services for condominiums.

(6) Major business offices (As of November 30, 2017)

Name	Business office and its location
Tosei Corporation (the Company)	Head office: Minato-ku, Tokyo
Tosei Community Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Asset Advisors, Inc.	Head office: Minato-ku, Tokyo
Tosei Revival Investment Co., Ltd.	Head office: Minato-ku, Tokyo
Urban Home Corporation	Head office: Machida-shi, Tokyo
Kishino Corporation	Head office: Minato-ku, Tokyo
Four Big Corporation	Head office: Minato-ku, Tokyo
KS Properties Corporation	Head office: Minato-ku, Tokyo
Tosei Hotel Management Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Kanda Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Chintai Hosho LLC	Head office: Minato-ku, Tokyo
Tosei Singapore Pte. Ltd.	Head office: Singapore
CSC	Head office: Minato-ku, Tokyo

(7) Status of employees (As of November 30, 2017)

a. Status of employees of the Group

Segment	Number of employees	Year-on-year change
Revitalization Business	55	5
Development Business	80	-
Rental Business	23	(3)
Fund and Consulting Business	73	6
Property Management Business	109	11
Others	-	(7)
Group-wide (common)	46	6
Total	386	18

(Note) The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 156.

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
159	7	36.7 years old	5.9 years

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

(8) Major lenders (As of November 30, 2017)

Lender	Loan balance (Millions of yen)
Sumitomo Mitsui Banking Corporation	8,776
Kansai Urban Banking Corporation	5,542
Mizuho Bank, Ltd.	5,230
Sumitomo Mitsui Trust Bank, Limited	4,791
Aozora Bank, Ltd.	4,650

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

Not applicable.

2. Current status of the Company

(1) Status of shares (As of November 30, 2017)

a. Total number of shares authorized 150,000,000 shares
b. Total number of shares issued 48,284,000 shares
c. Number of shareholders 5,829

d. Major shareholders (Top 10)

Name of shareholder	Number of shares held	Holding ratio
Seiichiro Yamaguchi	12,885,500 shares	26.68%
Zeus Capital Limited	6,000,000	12.42
KBL EPB S.A. 107704	5,127,300	10.61
Japan Trustee Services Bank, Ltd. (Trust Account)	1,659,600	3.43
STATE STREET BANK AND TRUST COMPANY 505001	1,624,369	3.36
GOVERNMENT OF NORWAY	1,003,400	2.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	919,600	1.90
Ueda Yagi Tanshi Co., Ltd.	800,000	1.65
DFA INTL SMALL CAP VALUE PORTFOLIO	649,000	1.34
MSCO CUSTOMER SECURITIES	553,764	1.14

(Note) 1. Hoiding raito is rounded down to the second decimal place.
2. Although SAMARANG UCITS is stated as holding shares as follows as of October 27, 2017 in the statements of large-volume holdings available for public inspection on December 18, 2017, as the Company was unable to confirm the substantial number of shares held as of the fiscal-year end, the entity is not included in the list of major shareholders above.

Name	Number of shares held, etc.	Holding ratio
SAMARANG UCITS	5,127,300 shares	10.62%

(2) Status of stock acquisition rights, etc.

a. Status of stock acquisition rights delivered to and held by officers as consideration for execution of duties (As of November 30, 2017)

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

- Number of stock acquisition rights

  340 units

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

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

- Amount to be paid in for stock acquisition rights

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

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

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

- Period during which stock acquisition rights may be exercised

  From January 10, 2018 to October 28, 2020

- Terms and conditions for exercising stock acquisition rights

  1) Holders of stock acquisition rights are required to have the rank of Director of the

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

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

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

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

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

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

Not applicable.

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

Not applicable.

(3) Status of officers of the Company

a. Status of Directors and Audit & Supervisory Board Members (As of November 30, 2017)

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

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

b. Audit & Supervisory Board Member who retired during the fiscal year

Name	Date of retirement	Reason for retirement	Position, areas of responsibility in the Company and important concurrent positions outside the Company at the time of retirement
Yasuhiro Honda	February 24, 2017	Expiration of the term of office	Outside Audit & Supervisory Board Member

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

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

Category	Number of payees	Amount paid
Directors	5	¥161,262 thousand
Audit & Supervisory Board Members	5	28,890
Total [Of the above, Outside Directors and Outside Audit & Supervisory Board Members]	10 [7]	190,152 [40,094]

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

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

2. Maximum total amount of Audit & Supervisory Board Members' remuneration is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004.
3. The above amounts of remuneration include the following:
   - The amount of the remuneration provided as stock options: ¥3,438 thousand (¥3,438 thousand for five Directors (including ¥404 thousand for two Outside Directors))
4. Other than the above, the total amount of remuneration, etc. received as officer remuneration by Outside Audit & Supervisory Board Member(s) from the Company's subsidiaries was ¥1,500 thousand, and this was paid to two persons.

d. Matters regarding outside officers

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

- Director Goro Kamino serves concurrently as President and Representative Director of Sala Corporation, President CEO of Gastec Service, Inc., and President and Representative Director of Chubu Gas Co., Ltd. He is also a Director of Sala House Co., Ltd. and an Outside Director of Toyohashi Cable Network Inc., Musashi Seimitsu Industry Co., Ltd., and Nippon Venture Capital Co., Ltd. There are no special relationships between the Company and each of Sala Corporation, Gastec Service, Inc., Chubu Gas Co., Ltd., Sala House Co., Ltd., Toyohashi Cable Network Inc., Musashi Seimitsu Industry Co., Ltd., and Nippon Venture Capital Co., Ltd.
- Director Kenichi Shohtoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. There are no special relationships between the Company and SCS Global Consulting (S) Pte Ltd or ROKI GROUP HOLDINGS CO., LTD.
- Audit & Supervisory Board Member Hiroshi Nishinakama serves concurrently as Audit & Supervisory Board Member of Tosei Asset Advisors, Inc., a wholly-owned consolidated subsidiary of the Company. Tosei Asset Advisors, Inc. is the asset manager of Tosei Reit Investment Corporation, with which the Company has concluded a memorandum regarding sponsor support.
- Audit & Supervisory Board Member Tatsuki Nagano serves concurrently as Senior Director, Head of the Management Headquarters of All Nippon Asset Management, Co., Ltd. He is also a Director of System Location Co., Ltd. There are no special relationships between the Company and each of All Nippon Asset Management, Co., Ltd. and System Location Co., Ltd.

2) Main activities during the fiscal year under review

	Main activities
Goro Kamino, Director	Goro Kamino attended nine of the 21 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective, external standpoint based on his extensive experience as a management executive and practical knowledge, and his consequent high level of insight.
Kenichi Shohtoku, Director	Kenichi Shohtoku attended all 21 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as an accounting expert based on his wide-ranging experience and expertise as a certified public accountant, including overseas service.
Yutaka Kitamura Audit & Supervisory Board Member	Yutaka Kitamura attended all 21 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge.
Hiroshi Nishinakama Audit & Supervisory Board Member	Hiroshi Nishinakama attended all 21 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge.
Tatsuki Nagano, Audit & Supervisory Board Member	Tatsuki Nagano attended 17 of the 21 meetings of the Board of Directors and 13 of the 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his wide-ranging experience and specialist knowledge.
Osamu Doi, Audit & Supervisory Board Member	Osamu Doi attended 18 of the 21 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

e. Outline of content of limited liability agreement

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

(4) Status of Accounting Auditor

a. Name Shinsoh Audit Corporation

b. Amount of remuneration, etc.

Category	Amount paid
Amount of remuneration, etc. to be paid during the fiscal year under review	¥37,000 thousand
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	42,000

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

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

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

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

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

(5) Systems to ensure properness of operations

Regarding systems to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of a company's operations (internal control system), the Company has established the following basic policies.

a. Basic policies for compliance with laws and regulations

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

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

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

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

b. Basic policies for storing and managing information

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

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

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

c. Basic policies for management of risk of loss

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

(ii) Enhance monitoring of risk management.

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

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

d. Basic policies for efficient execution of duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal control system of the Group implemented and operated as of November 30, 2017 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 departments, 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, heads of departments involved in information disclosure, those responsible for internal control at the major Group companies, and full-time Audit & Supervisory Board Members (as observers)

a. Compliance with laws and regulations, etc.

i) Ensure awareness regarding compliance with laws and regulations

At the beginning of each fiscal year a risk 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 questionnaire is circulated every fiscal year to all officers and employees of the Group.

In addition, the Risk Management and Compliance Committee's meeting (attended by all heads of each departments) 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.

During the fiscal year under review, we revised the Risk Management and Compliance Guidebook and distributed its copies to all officers and employees of the Group to keep them informed.

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

As well as monitoring and supervising by two Outside Directors 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, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members.

During the fiscal year under review, we further disseminated the whistle-blowing system to all officers and employees of the Group.

iii) 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 prescribed internal rules regarding the establishment of a crisis management office headed by the President and CEO, and timely and appropriate information disclosure in the event that serious breaches and/or incidents occur.

iv) Eliminate any association with anti-social forces

The Company continues screening of counterparties at 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.

At training sessions provided during the fiscal year under review, many specific cases were taken up in an effort to prevent the training from losing substance.

b. Storing and managing information

i) 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.

ii) 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.

iii) 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.

c. Management of risk of loss

i) Ensure thorough understanding, analysis and assessment of risks

As part of the risk compliance program, an annual plan for risk management is drawn up and implemented.

Additionally, we implement stress tests on a half-yearly basis in relation to the Group’s business environment. The results are reported at the Board of Directors’ meetings.

For 30 significant risks relevant to overall operations as well as individual businesses, in addition to conducting an assessment every fiscal year, new risks that should be added are extracted, and preventive measures and responses in the event of the risk materializing are

considered.

ii) Enhance monitoring of risk management

At monthly corporate governance meetings, full-time Directors report to full-time Audit & Supervisory Board Members regarding latent and fully emerged risks to execution of business and the states of responses.

Furthermore, at the Risk Management and Compliance Committee's meeting, the states of our responses to emerging risks are checked and the detail is reported to the Board of Directors each month, in addition to which the outcomes of the responses are monitored by the Internal Audit Department.

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

In order to enable the early detection of, and prompt response to, unexpected situations, business-related troubles and complains, all employees are kept informed through morning briefings, training sessions and meetings, of duty to promptly report to the heads of each department and duty of the heads of each department to report to full-time Directors and Audit & Supervisory Board Members.

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

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

During the fiscal year under review, we implemented comprehensive disaster drills in cooperation with each Group company, assuming that a massive earthquake directly hit the Tokyo metropolitan area.

d. Efficient execution of duties by Directors

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

In 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 twice a month), and pre-Board meeting discussions to confer beforehand on matters to be resolved by the Board of Directors.

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

Under the three-year medium-term management plan in line with the Group's philosophy, annual business plans and budgets are prepared toward the achievement of such plan.

With regard to the business plans and budgets, we draw up guidelines based on 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, and then make our final decisions.

iii) 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, and the increase in the number of Group companies, etc.

During the fiscal year under review, the Administration and Human Resource Department was separated into the Administration Department and the Human Resource Department to efficiently execute business in response to the expansion of the organization and the

increase in the number of employees.

In addition, the Group decided in the fiscal year under review toward the new fiscal year to establish the Group Strategy Department, which is responsible for the risk management of each Group company and comprehensively controls Group expansion strategies including promotion of M&A transactions, with a view to further enhancing group governance; and to change the structure of the Asset Solution Department 1 and the Asset Solution Department 3, which respectively comprise two sections, to a three-section structure.

e. Properness of operations of entire Group

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

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.

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

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

The Company's full-time Directors or employees are assigned as Director or Audit & Supervisory Board Member for each Group company with the remit of monitoring and supervising the Directors and the Board of each company.

Every month, each Group company reports management issues, any problems that have emerged and responses to latent risks at the meeting of the Board of Directors of the Company or the pre-Board meeting discussions, as well as at the Risk Management and Compliance Committee's meeting.

Moreover, the response of these companies to problems that have emerged is continuously audited or monitored by the Company's Internal Audit Department, which may also conduct checks using external agencies as necessary, with the results being reported at the Board of Directors' meeting.

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

Under the three-year medium-term management plan in line with the Group's philosophy, annual business plans and budgets are prepared toward the achievement of such plan.

With regard to the business plans and budgets, we draw up guidelines based on the economic environment in Japan and overseas, the environment for the business of each Group company, then make final decisions based on separate discussions with each Group company.

The progress of the business plans and budgets is reported by representative directors of each company at the Board of Directors' meeting or the pre-Board meeting discussion 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 company on a half-yearly basis.

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

Through the monthly reports described in iii) above, and reports at the meetings of the Risk Management and Compliance Committee and the Information Disclosure Committee of the Company, we confirm occurrence of matters that should be disclosed.

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.

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

In order to ensure the appropriateness of the financial reporting and the expeditious consolidated financial closing, the Accounting 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 self-assessments and the audit corporation conducts independent assessments.

vi) 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 and opinion-exchanging meetings (twice a year) attended by Audit & Supervisory Board Members of the Company with representative directors of major Group companies. 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.

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

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

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

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

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

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

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 (twice a year).

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

At the Board of Directors' meetings or 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 (the investigation of subsidiaries (once) and opinion-exchanging meetings (twice a year)), each Group company is required to report occurrence and signs of any material losses and significant risks associated with management of the Group company.

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

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

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

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

The Company continues to operate a whistle-blowing system that provides three contact points, internal, external, and through Audit & Supervisory Board Members of the Company.

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

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.

vii) Expenses associated with execution of duties of Audit & Supervisory Board Members

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

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

At the Board of Directors' meeting subsequent to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. At the Board of Directors' meeting once every three months, Directors report the status of their responses to the issues raised by full-time Audit & Supervisory Board Members in the monthly audit reports.

In order to enable the Audit & Supervisory Board Members (Audit & Supervisory Board), the audit corporation, and the Internal Audit Department to cooperate with one another, Directors provide appropriate cooperation for various measures, including holding of

opinion-exchanging meeting concerning threefold auditing, to further enhance the threefold auditing structure.

ix) 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 and other important 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 with necessary cooperation by full-time Directors.

(7) Basic policy regarding the control of the Company

a. Details of the basic policy

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

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

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

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

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

persons.

b. Measures to realize the basic policy

1) Special measures to realize the basic policy

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

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

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

(i) Purpose of the Plan

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

(ii) Targeted acquisitions

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

(iii) Submission of Acquirer’s Statement

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

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

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

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

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

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

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

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

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

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

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

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

(v) Independent Committee Consideration

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

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

(vi) Resolutions by the Board of Directors

The Board of Directors will pass a resolution relating to the implementation or non-implementation of a gratis allotment of stock acquisition rights respecting the

recommendation of the Independent Committee described above to the maximum extent. If a meeting of shareholders is convened in accordance with (vii) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

(vii) Convocation of the Shareholders Meeting

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

(viii) Information disclosure

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

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

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

Trigger Event (1)

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

Trigger Event (2)

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

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

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

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

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

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

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

(x) Outline of the stock acquisition rights

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

(xi) Effective period of the Plan

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

(xii) Impact on shareholders

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

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

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

The Plan is a mechanism to ensure and enhance the corporate value of the Company and the common interests of its shareholders and thus is consistent with the basic policy. In particular, fairness and objectivity are ensured under the Plan because: the Plan satisfies the three principles

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

The effective period of the Plan will expire at the conclusion of the 68th Ordinary General Meeting of Shareholders to be held on February 27, 2018. A resolution was passed at a meeting of the Board of Directors held on January 25, 2018, to renew the Plan after amending its wording for form's sake upon the completion of the effective period, on the condition that this is approved by shareholders at the 68th Ordinary General Meeting of Shareholders. For details, please refer to pages 64 through 75 of this Notice.

<Consolidated Financial Statements>

Consolidated Statement of Financial Position

(As of November 30, 2017)

(¥ thousand)

Assets		**Liabilities**	
Item	Amount	Item	Amount
Current assets	**85,643,839**	**Current liabilities**	**11,945,287**
Cash and cash equivalents	23,750,239	Trade and other payables	4,278,612
Trade and other receivables	2,148,608	Borrowings	6,449,040
Inventories	59,718,614	Current income tax liabilities	732,961
Other current assets	26,376	Provisions	484,671
Non-current assets	**36,906,441**	**Non-current liabilities**	**64,446,127**
Property, plant and equipment	5,305,652	Trade and other payables	3,280,020
Investment properties	28,359,547	Borrowings	60,674,335
Intangible assets	83,544	Retirement benefits obligations	472,574
Available-for-sale financial assets	1,751,463	Provisions	19,197
Trade and other receivables	859,731	**Total liabilities**	**76,391,414**
Deferred tax assets	517,587	**Equity**	
Other non-current assets	28,914	**Equity attributable to owners of the parent**	**46,158,867**
		Share capital	6,421,392
		Capital reserves	6,464,240
		Retained earnings	33,209,210
		Other components of equity	64,024
		Total equity	**46,158,867**
Total assets	**122,550,281**	**Total liabilities and equity**	**122,550,281**

Consolidated Statement of Comprehensive Income

(From December 1, 2016 to November 30, 2017)

(¥ thousand)

Item	Amount
Revenue	**57,754,328**
Cost of revenue	**40,937,814**
Gross profit	**16,816,513**
Selling, general and administrative expenses	7,153,850
Other income	215,754
Other expenses	44,550
Operating profit	**9,833,867**
Finance income	76,881
Finance costs	861,281
Profit before tax	**9,049,467**
Income tax expense	2,894,297
Profit for the year	**6,155,169**
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Remeasurements of defined benefit pension plans	(4,016)
Total items that will not be reclassified to net profit or loss	(4,016)
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	12,035
Net change in fair values of available-for-sale financial assets	(2,644)
Net change in fair values of cash flow hedges	5,070
Total items that may be reclassified to net profit or loss	14,461
Other comprehensive income for the year, net of tax	**10,445**
Total comprehensive income for the year	**6,165,615**
Profit attributable to:	
Owners of the parent	6,155,169
Total comprehensive income attributable to:	
Owners of the parent	6,165,615

Consolidated Statement of Changes in Equity

(From December 1, 2016 to November 30, 2017)

(¥ thousand)

	Equity attributable to owners of the parent				
	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance as of December 1, 2016	6,421,392	6,418,823	28,120,304	49,562	41,010,083
Comprehensive income for the year					
Profit for the year	–	–	6,155,169	–	6,155,169
Other comprehensive income	–	–	–	10,445	10,445
Total comprehensive income for the year	–	–	6,155,169	10,445	6,165,615
Amount of transactions with owners					
Dividends from surplus	–	–	(1,062,248)	–	(1,062,248)
Share-based payment	–	45,416	–	–	45,416
Transfer from other components of equity to retained earnings	–	–	(4,016)	4,016	–
Total amount of transactions with owners	–	45,416	(1,066,264)	4,016	(1,016,831)
Balance as of November 30, 2017	6,421,392	6,464,240	33,209,210	64,024	46,158,867

Notes to Consolidated Financial Statements

1. Significant matters in preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

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

(2) Scope of consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 12
- Names of consolidated subsidiaries: Tosei Community Co., Ltd.
  Tosei Asset Advisors, Inc.
  Tosei Revival Investment Co., Ltd.
  Urban Home Corporation
  Kishino Corporation
  Four Big Corporation
  KS Properties Corporation
  Tosei Hotel Management Co., Ltd
  Tosei Hotel Kanda Co., Ltd.
  Tosei Chintai Hosho LLC
  Tosei Singapore Pte. Ltd.
  CSC

2) Change in scope of consolidation

KS Properties Corporation was purchased in an M&A transaction, while Tosei Hotel Kanda Co., Ltd. was established, and these companies are included in the scope of consolidation.

In addition, Kishino Real Estate Corporation, which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation as a result of the completion of liquidation on November 24, 2017.

CSC (trade name changed from “Crystal Sports Club” as of December 1, 2016), a consolidated subsidiary of the Company, underwent a company split and the Company sold shares of the newly established Crystal Sports Club.

(3) Application of equity method

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

(4) Accounting policies

1) Valuation basis and methods for financial assets

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

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

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

2) Valuation basis and methods for inventories

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

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

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

3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

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

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

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

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

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

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

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

(ii) Investment properties

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

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

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

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

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

(iii) Intangible assets

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

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

•Software

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

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

(iv) Leased assets

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

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

4) Recognition of significant provisions

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

5) Employment benefits

(i) Defined benefit pension plans

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

(ii) Defined contribution pension plans

Defined contribution pension plans are post-employment benefit plans in which an employer pays fixed contributions to a separate entity and will have no obligation to pay further contributions. Contributions associated with defined-contribution pension plans are recognized in profit or loss in the period during which employees render services.

(iii) Short-term employee benefits

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

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

6) Significant hedge accounting method

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

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

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

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

7) Foreign currency translation methods

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

8) Other significant matters for preparing consolidated financial statements

Accounting for consumption taxes

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

2. Notes to consolidated statement of financial position

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Inventories	57,898,922
Property, plant and equipment	5,184,869
Investment properties	20,991,321
Total	84,075,113
Amount of securitized obligation	
Borrowings	67,018,926
Total	67,018,926

(2) Allowance for credit losses deducted directly from assets ¥10,195 thousand

(3) Accumulated depreciation on assets

	(¥ thousand)
Property, plant and equipment	519,683
Investment properties	1,434,882

(4) Change in holding purpose of assets

Leasehold property of ¥7,435,065 thousand previously held as inventories was transferred to property, plant and equipment (¥1,772,257 thousand) and investment properties (¥5,662,808 thousand) due to the change in business policy.

3. Notes to consolidated statement of changes in equity

(1) Class and total number of shares issued

(shares)

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

(2) Dividends from surplus

1) Cash dividends paid, etc.

Matters regarding dividends based on the resolution of the 67th Ordinary General Meeting of Shareholders held on February 24, 2017.

- Total dividends ¥1,062,248 thousand
- Dividends per share ¥22
- Record date November 30, 2016
- Effective date February 27, 2017

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

A proposal will be submitted as follows at the 68th Ordinary General Meeting of Shareholders to be held on February 27, 2018.

- Total dividends ¥1,207,100 thousand
- Dividends per share ¥25
- Dividend resources Retained earnings
- Record date November 30, 2017
- Effective date February 28, 2018

4. Notes on financial instruments

(1) Status of financial instruments

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

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

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

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

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

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

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

(2) Fair values of financial instruments

The carrying amounts in consolidated statement of financial position and the fair values, and differences thereof as of November 30, 2017 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
(1) Cash and cash equivalents	23,750,239	23,750,239	–
(2) Trade and other receivables	3,008,339	3,008,339	–
(3) Available-for-sale financial assets	1,751,463	1,751,463	–
(4) Trade and other payables	7,558,632	7,558,632	–
(5) Borrowings	67,123,376	67,133,900	10,524

Method for measuring fair value of financial instruments

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

The book values of these financial instruments that are settled in a short period of time approximate the fair values.

However, the fair values of interest rate swaps are based on market values presented by financial institutions.

2) Available-for-sale financial assets

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

3) Non-current borrowings

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

5. Notes on investment properties

(1) Status of investment properties

The Company and certain consolidated subsidiaries own rental office and condominium buildings mainly in Tokyo to earn rental revenue. Net rental revenue from these investment and rental properties during the fiscal year ended November 30, 2017 totaled ¥1,709,583 thousand (rental revenue and rental expense were recorded as revenue and cost of revenue, respectively).

(2) Fair value of investment properties

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

(¥ thousand)

	Carrying amount in consolidated statement of financial position			Fair value at end of the fiscal year
	Balance at beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at end of the fiscal year	
Investment properties	21,728,740	6,630,807	28,359,547	45,919,931

(Notes) 1. The carrying amount in consolidated statement of financial position shown above indicates cost less any accumulated depreciation and accumulated impairment losses.
2. During the fiscal year ended November 30, 2017, the increase mostly stemmed from the transfer from inventories due to change of holding purpose (¥5,662,808 thousand) and new acquisition (¥1,177,436 thousand).
3. The fair value as of November 30, 2017 was internally calculated in accordance with the Real Estate Appraisal Standards.

6. Per share information

(1) Equity attributable to owners of the parent per share ¥955.99

(2) Basic earnings per share ¥127.48

7. Significant subsequent events

Not applicable.

8. Other

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

<Non-consolidated Financial Statements>

Non-Consolidated Balance Sheet

(As of November 30, 2017)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**74,971,312**	**Current liabilities**	**9,504,721**
Cash and deposits	18,237,801	Accounts payable-trade	724,194
Accounts receivable-trade	100,876	Current portion of long-term loans payable	5,847,106
Real estate for sale	40,822,920	Lease obligations	3,654
Real estate for sale in process	14,150,794	Accounts payable-other	530,901
Supplies	4,457	Accrued expenses	69,028
Short-term loans receivable from subsidiaries and affiliates	170,560	Income taxes payable	136,704
Accounts receivable-other	642,938	Accrued consumption taxes	241,473
Advance payments-trade	289,196	Advances received	1,174,547
Prepaid expenses	275,029	Deposits received	537,794
Deferred tax assets	135,142	Provision for bonuses	235,743
Other	143,435	Provision for loss on rental business	3,573
Allowance for credit losses	(1,841)	**Non-current liabilities**	**62,802,560**
Non-current assets	**40,225,024**	Long-term loans payable	59,412,010
Property, plant and equipment	**31,709,757**	Guarantee deposits	2,658,061
Buildings	10,998,347	Lease obligations	6,074
Structures	16,882	Asset retirement obligations	19,197
Machinery and equipment	27,869	Provision for retirement benefits	350,547
Vehicles	4,822	Long-term accounts payable-other for directors	350,581
Tools, furniture and fixtures	43,645	Derivative liabilities	6,088
Land	20,596,780		
Lease assets	9,008		
Construction in progress	12,400		
Intangible assets	**37,264**	**Total liabilities**	**72,307,282**
Software	35,375	**Net assets**	
Telephone subscription right	1,889	**Shareholders' equity**	**42,745,321**
Investments and other assets	**8,478,003**	**Capital stock**	**6,421,392**
Investment securities	1,699,377	**Capital surplus**	**6,504,868**
Stocks of subsidiaries and affiliates	4,809,144	Legal capital surplus	6,504,868
Investments in capital	4,100	**Retained earnings**	**29,819,061**
Long-term loans receivable	2,990	Legal retained earnings	7,250
Long-term loans receivable from subsidiaries and affiliates	921,740	Other retained earnings	29,811,811
Long-term prepaid expenses	112,229	General reserve	15,000
Long-term accounts receivable-other	34,613	Retained earnings brought forward	29,796,811
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,582	**Valuation and translation adjustments**	**52,778**
Lease and guarantee deposits	678,906	**Valuation difference on available-for-sale securities**	**57,003**
Deferred tax assets	210,904	**Deferred gains (losses) on hedges**	**(4,224)**
Other	4,014	**Stock acquisition rights**	**90,954**
Allowance for credit losses	(3,600)	**Total net assets**	**42,889,054**
Total assets	**115,196,337**	**Total liabilities and net assets**	**115,196,337**

Non-Consolidated Statement of Operations

(From December 1, 2016 to November 30, 2017)

(¥ thousand)

Item	Amount	
Net sales		**45,491,580**
Cost of sales		**34,589,430**
Gross profit		**10,902,149**
Selling, general and administrative expenses		4,467,252
Operating income		**6,434,897**
Non-operating income		
Interest income	31,126	
Dividends income	1,521,737	
Foreign exchange gains	4,627	
Miscellaneous income	79,466	1,636,957
Non-operating expenses		
Interest expenses	842,029	
Miscellaneous loss	11,728	853,757
Ordinary income		**7,218,097**
Extraordinary loss		
Loss on retirement of non-current assets	17,816	
Loss on liquidation of subsidiaries and affiliates	2,967	20,784
Income before income taxes		**7,197,313**
Income taxes-current	1,690,720	
Income taxes-deferred	56,909	1,747,630
Net income		**5,449,682**

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2016 to November 30, 2017)

(¥ thousand)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Total share-holders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings	
					General reserve	Retained earnings brought forward		
Balance at the beginning of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	25,409,376	25,431,626	38,357,887
Changes of items during the year								
Dividends from surplus						(1,062,248)	(1,062,248)	(1,062,248)
Net income						5,449,682	5,449,682	5,449,682
Net changes of items other than shareholders' equity								
Total changes of items during the year	–	–	–	–	–	4,387,434	4,387,434	4,387,434
Balance at the end of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	29,796,811	29,819,061	42,745,321

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	60,295	(8,347)	51,948	45,538	38,455,373
Changes of items during the year					
Dividends from surplus		–		–	(1,062,248)
Net income		–		–	5,449,682
Net changes of items other than shareholders' equity	(3,292)	4,122	830	45,416	46,247
Total changes of items during the year	(3,292)	4,122	830	45,416	4,433,681
Balance at the end of the year	57,003	(4,224)	52,778	90,954	42,889,054

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and methods for assets

1) Valuation basis and methods for securities

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

2) Valuation basis and method for derivatives

Derivatives	Stated at fair value

3) Valuation basis and methods for inventories

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

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

(2) Depreciation methods for non-current assets

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

(3) Recognition of allowances

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

	retirement benefit obligations as of the fiscal year-end. In calculating retirement benefit obligations, the portion of expected benefits attributed to the periods up to the fiscal year-end is determined using the benefit formula basis. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.
4) Provision for loss on rental business	To cover losses from sublease contracts, etc., provision for loss on rental business is provided in the amount of total rent and other payment obligations less expected total rental revenue, etc. from subleases.

(4) Other significant matters for preparing financial statements

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

2. Additional information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the fiscal year under review.

3. Notes to non-consolidated balance sheet

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Real estate for sale	39,577,574
Real estate for sale in process	14,021,609
Buildings	9,512,458
Land	14,752,269
Total	77,863,912
Amounts of securitized obligation	
Current portion of long-term loans payable	5,847,106
Long-term loans payable	59,412,010
Total	65,259,116

(2) Accumulated depreciation on property, plant and equipment ¥1,637,198 thousand

(3) Contingent liabilities

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

Tosei Revival Investment Co., Ltd.	¥790,960 thousand
Tosei Community Co., Ltd.	¥69,090 thousand

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

	(¥ thousand)
1) Short-term monetary receivables	5,854
2) Long-term monetary receivables	33,527
3) Short-term monetary payables	119,767
4) Long-term monetary payables	92,616

(5) Change in holding purpose of assets

Leasehold property previously held as real estate for sale of ¥7,456,260 thousand was transferred to property, plant and equipment due to the change in business policy.

4. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

	(¥ thousand)
1) Sales	43,282
2) Purchase amount	1,494,901
3) Other business turnover	75,361
4) Transaction volume other than business turnover	1,484,152

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

¥28,816 thousand

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

Not applicable.

6. Notes on tax effect accounting

Significant components of deferred tax assets and liabilities

(¥ thousand)

Deferred tax assets	
Current assets	
Accrued enterprise taxes, currently not deductible	32,939
Provision for bonuses	72,750
Estimated expenses, currently not deductible	10,002
Other	19,450
Total	135,142
Non-current assets	
Provision for retirement benefits	107,337
Long-term accounts payable-other for directors	107,347
Other	21,377
Total	236,062
Total deferred tax assets	371,205
Deferred tax liabilities	
Non-current liabilities	
Valuation difference on available-for-sale securities	(25,157)
Total	(25,157)
Total deferred tax liabilities	(25,157)
Net deferred tax assets	346,047

7. Notes on transactions with related parties

Subsidiaries and affiliates

Attribute	Name	Percentage of voting rights (%)	Business relationship	Transaction	Transaction amount (¥ thousand)	Account title	Balance at the end of the fiscal year (¥ thousand)
Subsidiary	Tosei Community Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	245,000	—	—
	Tosei Asset Advisors, Inc.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	225,000	—	—
	Tosei Revival Investment Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	545,000	—	—
	Kishino Real Estate Corporation	100% direct ownership	—	Receipt of dividends	291,783	—	—

(Note) Receipt of dividends is reasonably determined in consideration of performance trends.

8. Per share information

(1) Net assets per share ¥886.38

(2) Net income per share ¥112.87

9. Significant subsequent events

Not applicable.

10. Other

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

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Audit Report

January 16, 2018

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Tosei Corporation for the fiscal year from December 1, 2016 to November 30, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Conflicts of Interest

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

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

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Audit Report

January 16, 2018

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the balance sheet, the related statements of operations and changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules of Tosei Corporation for the 68th term from December 1, 2016 to November 30, 2017.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Conflicts of Interest

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

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

Audit Report by Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 68th term (from December 1, 2016 to November 30, 2017), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

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

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

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

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

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

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

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

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

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

2. Results of Audit

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

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

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

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

January 19, 2018

Audit & Supervisory Board of Tosei Corporation

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

Yutaka Kitamura (Seal)

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

Hiroshi Nishinakama (Seal)

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

Tatsuki Nagano (Seal)

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

Osamu Doi (Seal)

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

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as shown below:

Year-end dividend

Taking into account such factors as our operating results for the fiscal year under review and our future business development, the Company proposes the year-end dividend for the 68th term as shown below.

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

Dividends per ordinary share of the Company:	¥25
Total amount of dividends:	¥1,207,100,000

3. Effective date of dividends from surplus: February 28, 2018

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

   In order to increase the number of Directors with an eye to perpetual growth in the future and the enhancement of governance that supports such growth, Article 19 (Number of Directors) of the current Articles of Incorporation shall be amended.

2. Details of amendments

   Details of amendments are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed amendments
Article 1. − 18. (Omitted)	Article 1. − 18. (Unchanged)
Article 19. Number of Directors The number of directors of the Company shall be six (6) or less.	Article 19. Number of Directors The number of directors of the Company shall be ten (10) or less.
Article 20. − 47. (Omitted)	Article 20. − 47. (Unchanged)

Proposal 3: Election of Seven (7) Directors

The terms of office of all five (5) Directors will expire at the conclusion of the Meeting. Accordingly, subject to the approval of Proposal 2: Partial Amendments to the Articles of Incorporation, with an eye to future growth and the enhancement of governance, we propose the election of seven (7) Directors by increasing the number of Directors by two (2).

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
1	Seiichiro Yamaguchi (Jan. 5, 1961)	Apr. 1983 Joined Mitsui Real Estate Sales Co., Ltd. Apr. 1986 Joined Tosei-Shoji Corporation Aug. 1990 Director of the Company Jun. 1994 President and Representative Director of the Company (current position) Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.) Jul. 2004 President and CEO of the Company (current position)	12,885,500
	≪Reasons for nomination as candidate for Director≫ After being appointed as Representative Director of the Company in June 1994, Seiichiro Yamaguchi has long been leading the Company and the Group, successfully listed the Company's shares and has been committed to expanding its business scale and domains, and thus is essential for the management of the Company. In addition, as Chairman of the Board of Directors, he facilitates the effective proceedings of matters for deliberation and promotes assertive opinions from Audit & Supervisory Board Members and Outside Directors, thereby enhancing the Board of Directors. In light of the mid- to long-term growth of the management of the Group, we determined that reelecting him would contribute to the interests of the Group and, in turn, the common interests of its shareholders.		
2	Katsuhito Kosuge (Jul. 17, 1960)	Apr. 1983 Joined Tokyu Construction Co., Ltd. Apr. 1986 Joined Tosei-Shoji Corporation Jan. 1996 Director of the Company Dec. 2000 Managing Director of the Company Jul. 2004 Managing Executive Officer of the Company Sep. 2005 Representative Director of Tosei Revival Investment Co., Ltd. Feb. 2006 COO and Senior Executive Officer of Business Division of the Company (current position) Oct. 2007 Representative Director of Tosei Asset Management, Corp. Apr. 2008 Director of Tosei Asset Advisors, Inc. Feb. 2012 Director of Tosei Asset Advisors, Inc.	200,000
	≪Reasons for nomination as candidate for Director≫ Katsuhito Kosuge has long been supporting the Representative Director Seiichiro Yamaguchi in overall management and sales, while duly controlling and managing each business team as the person responsible for the business execution of the Company's Business Division, and is committed to further expansion of its operations. In light of the mid- to long-term growth of the management of the Group, we determined that reelecting him would contribute to the interests of the Group and, in turn, the common interests of its shareholders.		

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summary, positions and areas of responsibility in the Company
(Important concurrent positions outside the Company)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">3</td><td>Noboru Hirano
(Oct. 17, 1959)</td><td>Apr. 1982 Joined Kokubu & Co., Ltd.
Apr. 1991 Joined Tosei-Shoji Corporation
May 1995 Director of Tosei-Shoji Corporation
Mar. 2001 General Manager of Finance and Accounting Department of the Company
Oct. 2002 Managing Director of the Company
Jul. 2004 Managing Executive Officer of the Company
Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co., Ltd.
Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd.
Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.)
Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company (current position)
Dec. 2007 Representative Director of Tosei Revival Investment Co., Ltd.
Jan. 2013 Director of Tosei Revival Investment Co., Ltd. (current position)
Feb. 2013 Director of Tosei Community Co., Ltd. (current position)
Feb. 2016 Director of Tosei Asset Advisors, Inc. (current position)</td><td>150,000</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
Noboru Hirano has long been supporting the Representative Director Seiichiro Yamaguchi in overall management, internal control and subsidiaries management, while duly controlling and managing each department of Administrative Division and subsidiaries as the person responsible for business execution of the Company's Administrative Division, and is committed to further improvement of the management quality of the Group. In light of the mid- to long-term growth of the management of the Group, we determined that reelecting him would contribute to the interests of the Group and, in turn, the common interests of its shareholders.</td></tr>
<tr><td rowspan="2">*4</td><td>Masaaki Watanabe
(Jan. 25, 1963)</td><td>Apr. 1986 Joined Towa Real Estate Development Co., Ltd. (the predecessor of Mitsubishi Jisho Residence Co., Ltd.)
Dec. 1990 Joined Heisei Kouhatsu Co., Ltd.
Apr. 1993 Seconded to Ohmon Club Co., Ltd.
Feb. 1998 Joined the Company
Aug. 2006 Director of Tosei Revival Investment Co., Ltd.
Dec. 2006 General Manager of Asset Solution Business Department 1 of the Company
Mar. 2008 Executive Officer and General Manager of Asset Solution Business Department 1 of the Company
Dec. 2012 Executive Officer in charge of Asset Solution Business Department 3 and Asset Solution Business Department 4 of the Company
Dec. 2014 Executive Officer in charge of Asset Solution Department 3 of the Company
May 2015 Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 3 of the Company
Mar. 2017 Managing Executive Officer and Deputy Chief of Business Division of the Company
Jun. 2017 Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 4 of the Company (current position)</td><td>30,000</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
After being appointed as General Manager of Asset Solution Business Department 1 in 2006, Masaaki Watanabe has been committed to expanding the operations of the Revitalization Business and the Rental Business of the Company, while duly controlling and managing the departments under his supervision. After being appointed as Executive Officer in 2008, as a member of the Management meeting, he participated in deliberations related not only to assigned businesses but also to overall management, and was then promoted to Managing Executive Officer in 2015 in recognition of such achievements. From the aspects of the Company's mid- to long-term expansion and growth in the future and enhancement of governance that underpins such growth, we determined that electing him as Director would contribute to the interests of the Group and, in turn, the common interests of its shareholders.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company
(Important concurrent positions outside the Company)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">*5</td><td>Hideki Nakanishi
(Jun. 17, 1967)</td><td>Apr. 1990
Jun. 1999
Oct. 2001
Apr. 2006
Dec. 2006

Dec. 2010

Mar. 2013

Feb. 2016

Mar. 2017</td><td>Joined The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)
Joined Gold Crest Co., Ltd.
Joined HUSER Corporation
Joined the Company
General Manager of Asset Solution Business Department 4 of the Company
General Manager of Asset Solution Business Department 1 of the Company
Executive Officer in charge of Asset Solution Department 1 of the Company
Director of Tosei Revival Investment Co., Ltd. (current position)
Managing Executive Officer in charge of Asset Solution Department 1 of the Company (current position)</td><td>400</td></tr>
<tr><td colspan="4">≪Reasons for nomination as candidate for Director≫
After being appointed as General Manager of Asset Solution Business Department 4 in 2006, Hideki Nakanishi has been committed to expanding the operations of the Revitalization Business and the Fund and Consulting Business of the Company, while duly controlling and managing the departments under his supervision. After being appointed as Executive Officer in 2013, as a member of the Management meeting, he participated in deliberations related not only to assigned businesses but also to overall management, and was then promoted to Managing Executive Officer in 2017 in recognition of such achievements. From the aspects of the Company's mid- to long-term expansion and growth in the future and enhancement of governance that underpins such growth, we determined that electing him as Director would contribute to the interests of the Group and, in turn, the common interests of its shareholders.</td></tr>
<tr><td rowspan="2">6</td><td>Kenichi Shohtoku
(Jan. 20, 1971)</td><td>Oct. 1995
Sep. 1999
Sep. 2002
Nov. 2003
Sep. 2005
Dec. 2010

Feb. 2012
Jan. 2013</td><td>Joined Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC)
Seconded to Arthur Andersen & Co., Kuala Lumpur Office
Joined SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd)
Representative Director of SCS Global Accounting Co., Ltd. (current position)
Director of O-RID GLOBAL BPO PTE. LTD.
Outside Audit & Supervisory Board Member of ROKI TECHNO CO., LTD.
Director of the Company (current position)
Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)</td><td>0</td></tr>
<tr><td colspan="4">≪Reasons for nomination as candidate for Outside Director≫
After being appointed as Outside Director of the Company in February 2012, Kenichi Shohtoku has cooperated in the enhancement of the governance system of the Company and the Group through his invaluable advice, etc. on various occasions such as liaison meetings with the Board of Directors and Audit & Supervisory Board Members of the Company. In addition, he provides advice on the overseas activities of the Group based on his expertise through his abundant consulting experience, etc. in foreign countries as a representative of a global accounting consulting firm and a certified public accountant. In light of the mid- to long-term growth of the management of the Group including its overseas development, we determined that reelecting him would contribute to the interests of the Group and, in turn, the common interests of its shareholders.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
*7	Hiroyuki Kobayashi (Mar. 3, 1965)	Apr. 1987 Joined the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.) Apr. 2000 Seconded to Mizuho Securities Co., Ltd. Apr. 2003 Head of Advisory Department No.4 of Mizuho Securities Co., Ltd. Jun. 2005 Joined Sofia, Inc. Apr. 2006 Vice President and Director of Sofia, Inc. Dec. 2006 Joined Mizuho Securities Co., Ltd. Jun. 2008 Deputy General Manager, Corporate Planning Department of Mizuho Securities Co., Ltd. Dec. 2011 General Manager, Corporate Communications Department of Mizuho Securities Co., Ltd. Apr. 2014 Senior Corporate Officer attached to Retail Division of Mizuho Securities Co., Ltd. Apr. 2015 Head of Wealth Management Division, Retail Division of Mizuho Securities Co., Ltd. Apr. 2017 President & CEO of Social Capital Management, Inc. (current position)	0
	≪Reasons for nomination as candidate for Outside Director≫ Hiroyuki Kobayashi joined the Industrial Bank of Japan, Ltd. in 1987. After experiencing headquarter operations and on-site operations in the Head Office Business Department, he was engaged in M&A advisory services for eight years at the bank and during secondment to Mizuho Securities Co., Ltd. Currently, he has established a consulting firm specializing in business strategy for corporate clients, M&As and organization development, and serves as CEO. As the Company operates the financial instruments business, his abundant experience at a bank and a securities company is extremely valuable in ensuring the effectiveness of its Board of Directors. In addition, as 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. In light of the mid- to long-term growth of the management of the Group, we determined that electing him would contribute to the interests of the Group and, turn, the common interests of its shareholders.		

(Notes) 1. The nominees with an asterisk (*) are newly selected candidates for Directors.
2. Each of the candidates for Directors has no special interests in the Company.
3. Kenichi Shohtoku and Hiroyuki Kobayashi are candidates for Outside Directors. The Company notified the Tokyo Stock Exchange of Kenichi Shohtoku as independent director/auditor pursuant to the regulations of the said Exchange, and he will continue to serve as independent director/auditor if he is reelected as Director. In addition, the Company intends to notify the Tokyo Stock Exchange of Hiroyuki Kobayashi as independent director/auditor pursuant to the regulations of the said Exchange if he is elected as Director.
4. Candidates' years served as Outside Director since appointment
Kenichi Shohtoku currently serves as Outside Director of the Company and will have served as such for six (6) years as of the conclusion of the Meeting.
5. As Kenichi Shohtoku currently serves as Outside Director of the Company, the Company has concluded a contract for limitation of liability with him pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits his liability to the amount provided by relevant laws and regulations. The Company intends to maintain the contract with him if he is reelected as proposed. In addition, the Company intends to conclude the same contract with Hiroyuki Kobayashi if he is elected as Director.

Proposal 4: Revision of Remuneration for Directors

At the 57th Ordinary General Meeting of Shareholders held on February 27, 2007, it was resolved to limit the amount of remuneration for Directors of the Company to ¥240 million per year. However, taking various factors into consideration including subsequent changes in economic conditions, the increase in the maximum number of Directors from six (6) to ten (10) if Proposal 2 is approved as originally proposed, as well as an actual increase in the number of Directors by two (2) subject to the approval of Proposal 3 as originally proposed, we propose that the amount of remuneration for Directors be revised to ¥400 million or less per year (including ¥60 million or less for Outside Directors). As in the past, the amount of remuneration for Directors shall not include salaries as employees for Directors concurrently serving as employees.

While the current number of Directors is five (5), including two (2) Outside Directors, if Proposal 3 is approved as originally proposed, the number of Directors will be seven (7), including two (2) Outside Directors.

Proposal 5: Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

The Company renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (the "Former Renewed Plan") by a resolution of the Board of Directors on January 23, 2015 and obtained shareholder approval at the ordinary general meeting of shareholders of the Company held on February 25, 2015. The effective period of the Former Renewed Plan expires at the conclusion of this Meeting.

Prior to the expiration of the effective period of the Former Renewed Plan, the Company determined at the Board of Directors meeting held on January 25, 2018 to, subject to approval by the shareholders at the Meeting, formally revise certain wordings of the Former Renewed Plan and introduce a new plan (the introduction is to be referred to as the "Renewal," and the renewed plan is to be referred to as the "Plan") as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b) of the Enforcement Regulations of the Companies Act) under the basic policy regarding the persons who control decisions on the Company's financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy").

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

1. Reason for Proposal

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

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

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

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

It is particularly necessary and essential for the persons who make decisions on the Company's financial and business policies to (i) maintain the system under which the Company 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) Purpose of the Plan

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

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

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

2. Details of Proposal

(1) Plan Outline

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

In cases such as where an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities in the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders (see section 2. (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights' below for the details of the requirements), the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the acquirer, etc. to exercise the rights (except where any exception event occurs) and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition

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

rights in exchange for shares and other equity securities in the Company from persons other than the acquirer, etc. (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) 'Outline of the Gratis Allotment of Stock Acquisition Rights'; the relevant stock acquisition rights are hereinafter referred to as the "Stock Acquisition Rights"), by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) to all shareholders, except the Company, at that time.

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

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

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

(2) Procedures for Triggering the Plan

(a) Targeted Acquisitions

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

(i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*)[2] of a holder (*hoyuusha*)[3] totaling at least 20% of the share certificates, etc. (*kabuken tou*)[4] issued by the Company; or

(ii) A tender offer (*koukai kaitsuke*)[5] that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*)[6] and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)[7] totaling at least 20% of the share certificates, etc. (*kabuken tou*)[8] issued by the Company.

(b) Submission of Acquirer's Statement

The Company will request the Acquirer to submit to the Company in the form separately prescribed by the Company a document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan (signed by or affixed with the name and seal of the representative of the Acquirer) and a qualification certificate of the person who signed or affixed its name and seal to that document (collectively, "Acquirer's Statement") before commencing or

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

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

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

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

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

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

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

effecting the Acquisition. The Acquirer's Statement must include the name, address or location of headquarters, location of offices, governing law for establishment, name of the representative, contact information in Japan for the Acquirer and the outline of the intended Acquisition. The Acquirer's Statement and the Acquisition Document set out in (c) below must be written in Japanese.

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

The Company will provide the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days after receiving the Acquirer's Statement. The Acquirer must provide the Board of Directors with the document in the form provided by the Company (the "Acquisition Document"), which includes the information described in each item of the list below ("Essential Information").

If the Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Note 9[9] and business backgrounds and other matters regarding members of the Independent Committee at the time of the Renewal areas described in Note 10[10]). If the Board of Directors

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

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

[10] Mr. Kenichi Shohtoku, Mr. Yutaka Kitamura, and Mr. Hiroshi Nishinakama are scheduled to be elected as the members of the Independent Committee upon approval of Proposal 3 :Election of Seven (7) Directors and the Proposal. Their profiles are as follows:

Kenichi Shohtoku,:

Oct. 1995	Entered Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC)
Sep. 1999	Transferred to Arthur Andersen & Co., Kuala Lumpur Office
Sep. 2002	Entered SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd)
Nov. 2003	Representative Director of SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) (current position)

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

Sep. 2005	Appointed as Director of O-RID GLOBAL BPO PTE. LTD.
Dec. 2010	Appointed as Outside Statutory Auditor of ROKI TECHNO CO., LTD
Feb. 2012	Appointed as Director of the Company (current position)
Jan. 2013	Appointed as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)

*Mr. Kenichi Shohtoku is an outside director as set out in Article 2, Item 15 of the Companies Act.
Mr. Shohtoku does not have any special interest in the Company and there is no business relationship between Mr. Shohtoku and the Company.

Yutaka Kitamura:

April, 1972	Entered The Yasuda Trust and Banking Co.,Ltd. (the predecessor of Mizuho Trust &Banking Co., Ltd.)
May, 1996	Appointed as General Manager of Singapore Branch of The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)
April. 1999	Appointed as General Manager of Pension Business Promotion Department III of The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)
October. 2000	Appointed as General Manager of Niigata Branch of The Mizuho Trust & Banking Co., Ltd.
June. 2003	Appointed as General Manager of Osaka Pension Business Promotion Department of The Mizuho Trust & Banking Co., Ltd.
March, 2005	Appointed as Full-Time Audit & Supervisory Board Member of Nippon Carbon Co., Ltd.
June, 2010	Appointed as Full-Time Audit & Supervisory Board Member of J-COACH Corporation
February, 2013	Appointed as Full-Time Audit & Supervisory Board Member of Tosei Corporation (current position)
February, 2013	Appointed as Outside Audit & Supervisory Board Member of Tosei Community Co., Ltd.

*Mr. Yutaka Kitamura is an outside Audit & Supervisory Board Member as set out in Article 2, Item 16 of the Companies Act.
Mr. Kitamura does not have any special interest in the Company and there is no business relationship between Mr. Kitamura and the Company.

Hiroshi Nishinakama:

April. 1978	Entered The Sanwa Bank, Limited (the predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
October. 1987	Appointed as Manager of London Branch
May 1992	Appointed as Senior Manager of International Business Promotion Department, Americas Office
August. 1994	Appointed as General Manager of Kwai-Chung Sub Branch of Hong Kong Branch
August. 1996	Appointed as Senior Manager of Credit Administration Department
October. 1999	Appointed as Senior Vice President of Derivative Products Department
January. 2002	Appointed as UFJ Bank Limited (the predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
January. 2006	Appointed as The Bank of Tokyo-Mitsubishi UFJ, Ltd. Senior Manager of Internal Audit & Credit Examination Division
April. 2007	Joined ORIX Real Estate Corporation as General Manager of Internal Audit Department
March. 2008	Transferred to ORIX Corporation General Manager of Internal Audit Department
July. 2008	Appointed as Audit & Supervisory Board Member of ORIX Real Estate Corporation
March. 2012	Director and General Manager of Internal Audit Department of ORIX Real Estate Investment Advisors Corporation
February. 2015	Audit & Supervisory Board Member of the Company (current position)
February. 2016	Audit & Supervisory Board Member of Tosei Asset Advisors, Inc. (current position)

*Mr. Hiroshi Nishinakama is an outside Audit & Supervisory Board Member as set out in Article 2, Item 16 of the Companies Act.
Until 2015, Mr. Nishinakama served as the employee of ORIX Real Estate Investment Advisors Corporation with which the Company has business relations. However, taking into consideration that economic dependence of the Company on ORIX Real Estate Investment Advisors Corporation is low in light of the size of business transactions, etc., the Company determines that Mr. Nishinakama's former position does not affect his independence as a member of the Independent Committee of the Company.

information within the relevant time limit.

(i) Details (including name, capital structure, financial position, operation results, status of compliance with laws or ordinances, terms of previous transactions by the Acquirer similar to the Acquisition and effects on the corporate value of the target companies as a result of the transactions) of the Acquirer and its group (including Joint Holders[11], persons having a special relationship, members (in the case of a fund) and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation[12])[13].

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

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

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

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

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

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

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

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

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

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

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

(ii) Independent Committee Consideration

The Independent Committee will conduct its consideration of the Acquisition terms, collection of information on the materials such as the management plans and business plans of the Acquirer and the Board of Directors and comparison thereof, and consideration of any alternative plan presented by the Board of Directors, and the like for a period of time that does not, as a general rule, exceed sixty days after the date on which the Independent Committee receives the information (including the information additionally requested) from the Acquirer

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

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

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

and (if the Independent Committee requests the Board of Directors to provide information as set out in (i) above) the Board of Directors (the period for information collection and consideration by the Independent Committee is hereinafter referred to as the "Independent Committee Consideration Period"). Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer.

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

(e) Recommendation by the Independent Committee

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

(i) Recommendation for the Triggering of the Plan

If the Independent Committee determines that the Acquisition falls under any of the trigger events set out below in (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights' (collectively "Trigger Event") arises with respect to the Acquisition, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) 'Outline of the Gratis Allotment of Stock Acquisition Rights') to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or discussion or negotiation with the Acquirer is necessary. If it is concerned that an Acquisition may fall under the Trigger Event (2) set out below in section 2. (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' the Independent Committee may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to confirming the shareholders' intent in advance.

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

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

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

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

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

If the Independent Committee determines the Acquisition does not fall under either Trigger

Event, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors, regardless of whether the Independent Committee Consideration Period has ended.

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

(iii) Extension of the Independent Committee Consideration Period

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

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

(f) Resolutions by the Board of Directors

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

(g) Convocation of the Shareholders Meeting

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

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on matters that the Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted and the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended, as well as the extended period and the reason for the extension), or an outline of recommendations made by the Independent Committee, an outline of resolutions by the Board of Directors and an outline of resolutions at the Shareholders Meeting, in accordance with the applicable laws and ordinances or the regulations of the financial instruments exchange.

(3) Requirements for the Gratis Allotment of Stock Acquisition Rights

The requirements to trigger the Plan to implement a gratis allotment of Stock Acquisition Rights are as follows. As described above in (e) of (2), 'Procedures for Triggering the Plan,' the Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

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

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

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

(i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price.

(ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.

(iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.

(iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

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

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

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

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

(4) Outline of the Gratis Allotment of Stock Acquisition Rights

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

(a) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the same number as

the most recent total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors or general meeting of shareholders relating to the gratis allotment of Stock Acquisition Rights (the "Gratis Allotment Resolution").

(b) Shareholders Eligible for Allotment

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

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

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

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

The number of shares in the Company[14] to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") will, in principle, be one share.

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

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

(f) Exercise Period of the Stock Acquisition Rights

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

(g) Conditions for Exercise of Stock Acquisition Rights

Except where any exceptional event[15] occurs, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below are collectively be referred to as "Non-Qualified Parties"):

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

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

(I) Specified Large Holders;[16]

(II) Joint Holders of Specified Large Holders;

(III) Specified Large Purchasers;[17]

(IV) Persons having a Special Relationship with Specified Large Purchasers;

(V) Any transferee of, or successor to, the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Board of Directors; or

(VI) Any Affiliated Party[18] of any party falling under (I) through (V).

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

(h) Assignment of Stock Acquisition Rights

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

(i) Acquisition of Stock Acquisition Rights by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Stock Acquisition Rights for no consideration.

(ii) On a day that falls on a date separately determined by the Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date separately determined by the Board of Directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Stock Acquisition Right.

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[16] "Specified Large Holder" means, in principle, a party who is a holder of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this proposal.

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

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

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties[19], the Company may, on a day falling on a date determined by the Board of Directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

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

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

(k) Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

(l) Other

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

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

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

However, if, before the expiration of the Effective Period, the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

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

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

(6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of January 25, 2018. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

End

[19] For example, the case of a person who initially had a Special Relationship with a Specified Large Purchaser but cancels the relationship with the Specified Large Purchaser after the triggering of the Plan and thereby is no longer a Non-Qualified Party.

Guide to Exercising Voting Rights via the Internet

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

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

1. Voting website and exercising your voting rights

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

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

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

   (4) Voting via the Internet is accepted until 6:00 p.m. on Monday, February 26, 2018 in Japan Standard Time. However, we respectfully request that you exercise your voting rights at your earliest convenience. If you have any questions, please contact the help desk.

2. Exercising your voting rights via the Internet

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

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

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

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

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

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

4. Fees incurred when accessing the voting rights website

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

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

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