Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the third quarter of the 67th term)

from June 1, 2016
to August 31, 2016

TOSEI CORPORATION

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

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on October 7, 2016. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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[Quarterly Review Report of Independent Auditors]

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

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	66th term First nine months	67th term First nine months	66th term
Accounting period	From December 1, 2014 to August 31, 2015	From December 1, 2015 to August 31, 2016	From December 1, 2014 to November 30, 2015
Revenue (¥ thousand) [Third quarter of the current fiscal year]	27,627,851 [5,284,687]	39,139,416 [8,484,199]	43,006,964
Profit before tax (¥ thousand)	4,743,243	8,203,330	6,040,311
Profit attributable to owners of the parent (¥ thousand) [Third quarter of the current fiscal year]	3,049,170 [395,223]	5,379,001 [635,019]	4,135,816
Comprehensive income attributable to owners of the parent (¥ thousand)	3,287,427	5,333,508	4,081,386
Total equity (¥ thousand)	35,435,856	40,822,067	36,228,378
Total assets (¥ thousand)	94,326,807	111,393,983	93,196,052
Basic earnings per share (¥) [Third quarter of the current fiscal year]	63.15 [8.19]	111.40 [13.15]	85.66
Diluted earnings per share (¥)	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	37.6	36.6	38.9
Net cash from (used in) operating activities (¥ thousand)	(10,901,526)	(1,550)	(4,443,093)
Net cash from (used in) investing activities (¥ thousand)	(172,267)	(6,274,825)	481,605
Net cash from (used in) financing activities (¥ thousand)	9,702,047	9,589,908	6,661,097
Cash and cash equivalents at end of period (¥ thousand)	14,719,794	22,097,993	18,791,081

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. Diluted earnings per share for the nine months ended August 31, 2015 of the 66th term is not presented due to an absence of potential shares. Diluted earnings per share for the 66th term and the nine months ended August 31, 2016 of the 67th term are not presented because there were no potential shares that have dilutive effects.
4. The above indexes are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the nine months ended August 31, 2016, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

With respect to changes in principal subsidiaries and affiliates, Urban Home Corporation, Urban Next Co., Ltd., Kishino Corporation, Kishino Real Estate Corporation and Four Big Corporation were acquired through M&A transactions, and Tosei Hotel Management Co., Ltd. and Tosei Chintai Hosho LLC were established. Those entities have been included in the scope of consolidation.

Also, Tosei international, Inc. former consolidated subsidiaries which went into liquidation, are excluded from the scope of consolidation as of August 5, 2016 after the trade name of a consolidated subsidiary NAI Tosei Japan, Inc. has been changed to Tosei international, Inc. as of January 31, 2016.

Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2016. For details, please refer to "5. Segment information" in "IV. Accounting, 1. Condensed Quarterly Consolidated Financial Statements, (5) Notes to Condensed Quarterly Consolidated Financial Statements.".

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the nine months ended August 31, 2016. In addition, there were no significant changes in “Business and other risks” described in the annual securities report for the previous fiscal year.

2. Important operational contracts, etc.

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

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

Any forward-looking statements included in the following descriptions are based on the best estimates or judgment of the Tosei Group as of August 31, 2016.

(1) Analysis of operating results

During the nine months ended August 31, 2016, the Japanese economy continued its moderate recovery, despite apparent weakness in exports and production. We have concerns about the business downturn stemming from the fluctuations in the financial markets over the issue of Britain’s withdrawal from the EU and the slowdown in emerging-market economies. However, increasing capital investment backed by the recovery in corporate earnings as well as robust personal consumption supported by an improving employment and income environment are giving rise to expectations that the moderate expansion will continue going forward.

In the real estate industry where Tosei Group operates, domestic commercial real estate investment in the first half of 2016 totaled ¥1.9 trillion, decreasing 18% year on year. In addition to the limited supply of large properties available to the market, the uncertain economic environment caused some investors to adopt a more conservative investment stance, and market transactions decreased. However, decreased borrowing rates with the introduction of negative interest rates and a proactive lending stance by financial institutions are boosting real estate transactions, which are expected to increase going forward. In projections by a private research institution, the amount of investment is forecast to increase year on year in the second half, totaling around ¥3.9 trillion for the year, down 5% year on year.

In the Tokyo Metropolitan area condominium market, consumer buying motivation is decreasing due to persistently high condominium prices from the increase in construction costs including personnel costs. Newly-built condominium units sold in July 2016 numbered 3,317, down 30.7%, falling for the eighth consecutive month, and the contract rate decreased 20.4 percentage points to 63.3% (both decreases are compared with the same month of the previous fiscal year), falling below the 70% threshold from which market conditions are viewed as favorable for the second consecutive month. In projections by a private research institution, the projected number of condominium units sold in the year has been downwardly revised from 43,000 to around 37,000, the first time the figure has been in the 30,000 range since 2009.

In the Tokyo Metropolitan area build-for-sale detached house market, housing starts for the first half of 2016 rose 5.9% year on year to 29,075 units. There is strong demand for detached housing, which is relatively inexpensive compared to the persistently high price of condominiums, and we expect robust demand to continue going forward and robust demand is expected to continue(according to the Ministry of Land, Infrastructure, Transport and Tourism data).

In the office leasing market of Tokyo’s five business wards, demand remains strong overall, fueled by relocation due to corporate business expansion and by consolidation for improved work efficiency, leading the vacancy rate to fall to 3.9% (as of July, 2016), dropping below 4% for the first time in seven years and eleven months. The average asking rent was ¥18,271 per tsubo (1 tsubo = 3.3m2), rising 4.6% year on year and increasing for the 31st consecutive month (according to a survey by a private research institution).

In the real estate securitization market, the J-REIT market continues to expand, with the total value of assets under management as of July 31, 2016 (acquisition cost base) increasing around ¥1.1trillion year on year to around ¥14.8 trillion. Going forward, J-REITs are expected to proactively acquire properties, fueled by the strong fundraising environment (according to a survey by a private research institution).

Amid this operating environment, in the Revitalization Business, the Tosei Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development

Business, the Group pushed ahead with sales and development of commercial facilities and 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 nine months ended August 31, 2016 totaled ¥39,139 million (up 41.7% year on year), operating profit was ¥8,823 million (up 65.8%), profit before tax was ¥8,203 million (up 72.9%), and profit for the period was ¥5,379 million (up 76.4%).

Performance by business segment is shown below.

Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2016, and in the following quarterly comparisons figures for the same period of the previous fiscal year have been recalculated according to the segment after such change.

Revitalization Business

During the nine months ended August 31, 2016, the segment sold 26 properties it had renovated, including Kinshicho Tosei Building (Sumida-ku, Tokyo), STABLE NAKANO (Nakano-ku, Tokyo), City Forum Kamihongo (Matudo-shi, Chiba), Château Espoir Kokubunji (Kokubunji-shi, Tokyo), Mini-mall Yokohama Aoba (Yokohama-shi, Kanagawa), Takaido Tosei Studio (Suginami-ku, Tokyo)and Grace Heiwadai (Nerima-ku, Tokyo). In addition, the segment sold 48 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 nine months ended August 31, 2016, it also acquired a total of 39 income-generating office buildings and apartments and seven land lots for renovation and sales purposes.

As part of the acquisition, our company acquired Kishino Coporation and Kishino Real Estate Corporation, companies hold income properties mainly in Toshima-ku, Tokyo, in the second quarter and acquired Four Big Corporation, company hold income properties mainly in Nakano-ku, Tokyo, in third quarter, through M&A transaction and converted it into consolidated subsidiaries.

As a result, revenue in this segment was ¥19,946 million (up 34.2% year on year) and the segment profit was ¥3,963 million (up 17.7%).

Development Business

During the nine months ended August 31, 2016, the segment sold new commercial facilities T's BRIGHTIA Minami Aoyama (Minato-ku, Tokyo) and T's BRIGHTIA Tsunashima (Yokohama-shi, Kanagawa).In addition, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 74 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama), THE Palms Court Mitaka Osawa (Mitaka-shi, Tokyo) and THE Palms Court Hashimoto (Sagamihara-shi, Kanagawa).

During the nine months ended August 31, 2016, it also acquired two land lots for detached housing projects and two land lots for commercial facility projects.

From the three months ended February 29, 2016, the segment embarked on efforts to enhance acquisition and sales networks in the outskirts of Tokyo and the Kanagawa area, facilitated by the Company making Urban Home Corporation, detached house sales and custom home construction company based in Machida-shi, Tokyo a consolidated subsidiary.

As a result, revenue in this segment was ¥11,211 million (up 99.1% year on year) and the segment profit was ¥3,703 million (up 480.5%).

Rental Business

During the nine months ended August 31, 2016, while the segment sold 16 buildings of its inventory assets held for leasing purposes, it newly acquired 39 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 ¥3,825 million (up 27.4% year on year) and the segment profit was ¥1,741 million (up 24.1%).

Fund and Consulting Business

During the nine months ended August 31, 2016, while ¥38,913 million was subtracted from the balance

of assets under management (Note), due mainly to property dispositions by funds, ¥91,117 million was added to the balance of Assets under management ¥421,792 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 August 31, 2016, was ¥473,996 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥1,711million (up 24.4% year on year) and the segment profit was ¥742 million (up 10.0%).

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

Property Management Business

During the nine months ended August 31, 2016, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 579 as of August 31, 2016, an increase of 37 properties from August 31, 2015, with that total comprising 361 office buildings, hotel, schools and other such properties, and 218 condominiums and apartments.

As a result, revenue in this segment was ¥2,174 million (down 2.7% year on year) and segment profit was ¥98 million (down 3.9%).

Other

For the nine months ended August 31, 2016, revenue in this segment was ¥270 million (down 48.0% year on year) and the segment loss was ¥22 million (in comparison with segment profit of ¥155 million in the same period of the previous fiscal year).

(2) Analysis of financial position

As of August 31, 2016, total assets were ¥111,393 million, an increase of 18,197 million compared with November 30, 2015, while total liabilities were ¥70,571million, an increase of ¥13,604 million.

This was primarily due to an increase in inventories resulting from purchase of properties exceeding sales of properties in the Revitalization Business and Development Business, and an increase in borrowings from financial institutions.

Total equity increased by ¥4,593 million to ¥40,822 million, mainly due to an increase in retained earnings and payment of cash dividends.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter “cash”) as of August 31, 2016, totaled ¥22,097 million, up ¥3,306 million compared with November 30, 2015.

The cash flows for the nine months ended August 31, 2016 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥1 million (net cash used in operating activities totaled ¥10,901 million in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥8,203 million, as well as an increase in inventories of ¥6,562 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥2,186 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥6,274 million (net cash used in investing activities totaled ¥172 million in the same period of the previous fiscal year). This is primarily due to purchases of investment properties ¥1,695 million and purchase of investments in subsidiaries resulting in change in scope of consolidation totaling ¥3,286 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥9,589 million (down 1.2% year on year). This mainly reflects¥17,982 million in the repayments of non-current borrowings and ¥771 million in cash dividends paid, despite ¥29,048 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

During the nine months ended August 31, 2016, there was no significant change in issues to be addressed by the Tosei Group.

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

a. Contents of basic policy

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

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

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

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

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

b. Overview of special measures to realize the basic policy

Under the new medium-term management plan called "Advancing Together 2017" (the targeted period of the plan is three years from December 2014 to November 2017), the Company group aims to further strengthen the business infrastructure by expanding and developing of the existing six business (Note) areas and considering its advance to peripheral areas of business, to build optimum corporate governance for expansion of the Company group and increase of the employees which are entailed in expansion of the business, and to establish efficient organization management structure. Further, the Company group will emphasize the cultivation of the most valuable asset of the Company group, i.e. the human resources to increase satisfaction of the employees of the Company group. As the Basic Policy in the new medium-term management plan for the further growth of the Company group, the Company group is determined to establish the original and distinctive "Tosei brand" by providing products

ensuring high customer satisfaction and high-quality services. Based on these policies, the Company group is dedicated to redefine existing ideas with the spirit of challenge and advance as the risk-taking group of companies, to aim “creation of new values and sensation as the truly globally-minded and promising professionals”.

The Company group has previously appointed multiple outside directors (two members), invited all Audit & Supervisory Board Members (five members) from outside the company, and has notified all of the above seven outside directors and Audit & Supervisory Board Members as “independent directors and/or Audit & Supervisory Board Members” in accordance with the “Principles of Corporate Governance for Listed Companies” of the Tokyo Stock Exchange. Also, the Company group has reinforced the business execution function by the introduction of the executive officer system, and the establishment of the corporate governance board, and will continue to endeavor to further strengthen corporate governance. Specifically, the Company group will focus on putting into practice actions based on a high-level awareness of compliance through raising awareness from the level of “role model” to that of “ideal” in accordance with the Compliance Principles of the Company, thorough implementation of risk management by correctly understanding and analyzing risks involved in corporate activities, continuous performance of accountability to various stakeholders including investors by promptly publicly disclosing correct corporate information under the spirit of fair disclosure, and other efforts for strengthening corporate governance.

c. Overview of measures to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate according to the basic policy(hereinafter,the"plan")

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

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

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

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

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

shareholders for the last fiscal year ending within three years after the conclusion of the 65th Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

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

Company's board of directors deems that the new medium-term management plan and other measures such as the efforts to enhance the corporate value and the strengthening of corporate governance were established as specific measures to continuously and sustainably enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these are truly in accordance with the basic policy, not detrimental to the common interests of the Company's shareholders and not for the purpose of maintaining the positions of the Company's corporate officers.

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

(Note) Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2016. For details, please refer to "5. Segment information" in "IV. Accounting, 1. Condensed Quarterly Consolidated Financial Statements, (5) Notes to Condensed Quarterly Consolidated Financial Statements."

(5) Research and development activities

No item to report.

(6) Number of employees

In the nine months ended August 31, 2016, the number of employees increased by 53 persons compared with November 30, 2015, largely as a result of acquisitions through M&A transactions of Urban Home Corporation and Urban Next Co., Ltd., which operate real estate development business and real estate fund and consulting business.

III. Filing company

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

(1) Total number of authorized shares, etc.

a. Total number of authorized shares

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

b. Number of issued shares

Class	Number of issued shares (Shares: as of August 31, 2016)	Number of issued shares (Shares: as of the date of filing: October 7, 2016)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,284,000	48,284,000	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,284,000	48,284,000	–	–

(2) Status of stock acquisition rights

No item to report.

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

No item to report.

(4) Details of rights plan

No item to report.

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

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From June 1, 2016 to August 31, 2016	–	48,284,000	–	6,421,392	–	6,504,868

(6) Status of major shareholders

There is no item to report due to the reporting period being a third quarter of a fiscal year.

(7) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of May 31, 2016, which is the latest record date, as the information as of August 31, 2016 is not yet available.

a. Issued shares

(As of August. 31, 2016)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	–	–	–
Shares with full voting rights (Other)	Ordinary shares 48,282,100	482,821	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 1,900	–	–
Total number of issued shares	48,284,000	–	–
Voting rights owned by all shareholders	–	482,821	–

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

b. Treasury shares, etc.

(As of August. 31, 2016)

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

2. Status of officers

There was no change in Officers during the nine months ended August 31, 2016 after the filing date of annual securities report for the previous fiscal year.

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

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

2. Audit attestation

The condensed quarterly consolidated financial statements for the third quarter of the fiscal year ending November 30, 2016 (from June 1, 2016 to August 31, 2016) and for the first nine months of the fiscal year ending November 30, 2016 (from December 1, 2015 to August 31, 2016) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2015	As of August 31, 2016
Assets			
Current assets			
Cash and cash equivalents	8	18,791,081	22,097,993
Trade and other receivables	8	2,914,639	2,784,957
Inventories		46,156,041	59,287,699
Other current assets		27,010	151,925
Total current assets		67,888,773	84,322,575
Non-current assets			
Property, plant and equipment		3,315,747	3,596,336
Investment properties		18,785,986	20,310,085
Intangible assets		96,648	91,852
Available-for-sale financial assets	8	1,225,047	1,310,640
Trade and other receivables	8	1,098,687	1,290,228
Deferred tax assets		781,146	443,348
Other non-current assets		4,014	28,914
Total non-current assets		25,307,278	27,071,407
Total assets		93,196,052	111,393,983
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	2,734,006	2,598,927
Borrowings	8	9,492,795	8,475,082
Current income tax liabilities		1,150,089	1,762,914
Provisions		442,303	289,086
Total current liabilities		13,819,195	13,126,010
Non-current liabilities			
Trade and other payables	8	3,510,413	4,436,795
Borrowings	8	39,175,846	52,509,700
Retirement benefits obligations		383,312	420,395
Provisions		78,905	79,013
Total non-current liabilities		43,148,478	57,445,905
Total Liabilities		56,967,673	70,571,916
Equity			
Share capital		6,421,392	6,421,392
Capital reserves		6,373,881	6,406,605
Retained earnings		23,327,875	27,934,333
Other components of equity		105,228	59,735
Total equity		36,228,378	40,822,067
Total liabilities and equity		93,196,052	111,393,983

(2) Condensed Consolidated Statement of Comprehensive Income

Nine months ended August 31, 2016

(¥ thousand)

	Notes	Nine months ended August 31, 2015	Nine months ended August 31, 2016
Revenue	5	27,627,851	39,139,416
Cost of revenue		18,594,416	24,920,553
Gross profit		9,033,435	14,218,863
Selling, general and administrative expenses		3,792,097	5,326,917
Other income		119,859	201,341
Other expenses		39,125	270,105
Operating profit	5	5,322,071	8,823,182
Finance income		22,010	62,546
Finance costs		600,838	682,398
Profit before tax		4,743,243	8,203,330
Income tax expense		1,694,072	2,824,329
Profit for the period		3,049,170	5,379,001
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		(18,082)	(34,142)
Net change in fair values of available-for-sale financial assets		263,372	(9,153)
Net change in fair values of cash flow hedges		(7,033)	(2,196)
Subtotal		238,256	(45,492)
Other comprehensive income for the period, net of tax		238,256	(45,492)
Total comprehensive income for the period		3,287,427	5,333,508
Profit attributable to:			
Owners of the parent		3,049,170	5,379,001
Total comprehensive income attributable to:			
Owners of the parent		3,287,427	5,333,508
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	63.15	111.40
Diluted earnings per share (yen)	7	—	—

Third quarter ended August 31, 2016 (¥ thousand)

	Notes	Third quarter ended August 31, 2015	Third quarter ended August 31, 2016
Revenue	5	5,284,687	8,484,199
Cost of revenue		3,321,511	6,013,353
Gross profit		1,963,176	2,470,846
Selling, general and administrative expenses		1,260,475	1,343,907
Other income		84,196	66,498
Other expenses		15,793	45,489
Operating profit	5	771,104	1,147,947
Finance income		20,453	31,412
Finance costs		219,241	216,347
Profit before tax		572,315	963,012
Income tax expense		177,092	327,992
Profit for the period		395,223	635,019
Other comprehensive income			
Items that may be transferred to net profit or loss			
Exchange differences on translation of foreign operations		(21,706)	(14,413)
Net change in fair values of available-for-sale financial assets		130,354	(16,426)
Net change in fair values of cash flow hedges		743	565
Subtotal		109,392	(30,274)
Other comprehensive income for the period, net of tax		109,392	(30,274)
Total comprehensive income for the period		504,615	604,745
Profit attributable to:			
Owners of the parent		395,223	635,019
Total comprehensive income attributable to:			
Owners of the parent		504,615	604,745
Earnings per share attributable to owners of the parent			
Basic earnings per share (yen)	7	8.19	13.15
Diluted earnings per share (yen)	7	—	—

(3) Condensed Consolidated Statement of Changes in Equity

Nine months ended August 31, 2015 (December 1, 2014 – August 31, 2015)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2014		6,421,392	6,375,317	19,776,474	154,652	32,727,836
Profit for the period		—	—	3,049,170	—	3,049,170
Other comprehensive income		—	—	—	238,256	238,256
Total comprehensive income for the period		—	—	3,049,170	238,256	3,287,427
Dividends from surplus	6	—	—	(579,408)	—	(579,408)
Balance at August 31, 2015		6,421,392	6,375,317	22,246,237	392,909	35,435,856

Nine months ended August 31, 2016 (December 1, 2015 – August 31, 2016)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity
Balance at December 1, 2015		6,421,392	6,373,881	23,327,875	105,228	36,228,378
Profit for the period		—	—	5,379,001	—	5,379,001
Other comprehensive income		—	—	—	(45,492)	(45,492)
Total comprehensive income for the period		—	—	5,379,001	(45,492)	5,333,508
Dividends of surplus	6	—	—	(772,544)	—	(772,544)
Share-based payment		—	32,724	—	—	32,724
Balance at August 31, 2016		6,421,392	6,406,605	27,934,333	59,735	40,822,067

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Nine months ended August 31, 2015	Nine months ended August 31, 2016
Cash flows from operating activities			
Profit before tax		4,743,243	8,203,330
Depreciation expense		164,015	244,535
Increase (decrease) in provisions and retirement benefits obligations		(464,931)	(130,536)
Interest and dividends income		(22,010)	(62,546)
Interest expenses		600,838	682,398
Loss on retirement of property, plant and equipment		1,451	5,436
Decrease (increase) in trade and other receivables		(1,596,860)	88,949
Decrease (increase) in inventories		(12,859,868)	(6,562,541)
Increase (decrease) in trade and other payables		719,150	(221,645)
Other, net		(7,077)	(124,415)
Subtotal		(8,722,049)	2,122,964
Interest and dividends income received		24,736	61,897
Income taxes paid		(2,204,213)	(2,186,413)
Net cash from (used in) operating activities		(10,901,526)	(1,550)
Cash flows from investing activities			
Payments into time deposits		(100,000)	(45,000)
Proceeds from withdrawal of time deposits		140,000	—
Purchase of property, plant and equipment		(63,765)	(37,469)
Purchase of investment properties		(702,089)	(1,695,354)
Purchase of intangible assets		(41,996)	(15,160)
Purchase of available-for-sale financial assets		(1,650)	(80,250)
Collection of available-for-sale financial assets		152,221	80,452
Proceeds from sales of available-for-sale financial assets		444,960	—
Payments of loans receivable		—	(1,260,000)
Collection of loans receivable		53	54
Purchase of investments in subsidiaries resulting in change in scope of consolidation		—	(3,286,137)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation		—	64,000
Other, net		—	37
Net cash from (used in) investing activities		(172,267)	(6,274,825)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		—	(10,600)
Proceeds from non-current borrowings		25,510,000	29,048,800
Repayments of non-current borrowings		(14,394,926)	(17,982,036)
Cash dividends paid		(578,328)	(771,458)
Interest expenses paid		(831,705)	(688,761)
Other, net		(2,991)	(6,034)
Net cash from (used in) financing activities		9,702,047	9,589,908
Net increase (decrease) in cash and cash equivalents		(1,371,746)	3,313,532
Cash and cash equivalents at beginning of period		16,100,795	18,791,081
Effect of exchange rate change on cash and cash equivalents		(9,253)	(6,620)
Cash and cash equivalents at end of period		14,719,794	22,097,993

(5) Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the third quarter (June 1, 2016 to August 31, 2016) and first nine months (December 1, 2015 to August 31, 2016) of the current fiscal year have been prepared in respect of the Company and its subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following five business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business and Property Management Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a "specified company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), its condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" under the provision of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007).

These condensed quarterly consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on October 6, 2016.

(2) Basis of measurement

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

(3) Presentation currency and unit

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

3. Significant accounting policies

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

4. Significant accounting estimates and judgments requiring estimates

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

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

5. Segment information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance. The Group draws up comprehensive strategies for each of the following five business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", and "Property Management Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services.

The Tosei Group has made changes to its reportable segments, reducing the number of such segments from six up through the end of the previous fiscal year to five as of the first quarter of the fiscal year ending November 30, 2016. Accordingly, the reportable segments are now: the Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, and Property Management Business segments.

With this change, transactions formerly classified as being associated with the Alternative Investment Business segment, based on the point of view that they involved acquisition of real estate arising from purchases of real estate collateralized loans, M&As of real estate-owning companies and other alternative means of investment, are now classified as being associated with either the Revitalization Business, Rental Business, Fund and Consulting Business, or Other, depending on the nature of the revenue derived from the respective transaction. The "Other" category includes business involving sports club facilities.

Segment information for the nine months ended August 31, 2015 and third quarter ended August 31, 2015 have been prepared in accordance with the new reportable segment classifications.

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

Nine months ended August 31, 2015
(December 1, 2014 – August 31, 2015)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	14,862,197	5,631,882	3,001,784	1,375,921	2,235,057	521,007	—	27,627,851
Intersegment revenue	—	—	39,115	4,548	330,064	—	(373,728)	—
Total	14,862,197	5,631,882	3,040,900	1,380,469	2,565,122	521,007	(373,728)	27,627,851
Segment profit	3,367,368	637,935	1,403,065	674,383	102,303	155,312	(1,018,298)	5,322,071
Finance income/costs, net								(578,827)
Profit before tax								4,743,243

Nine months ended August 31, 2016
(December 1, 2015 – August 31, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	19,946,219	11,211,309	3,825,255	1,711,203	2,174,627	270,800	—	39,139,416
Intersegment revenue	—	—	31,413	21,277	754,700	836	(808,227)	—
Total	19,946,219	11,211,309	3,856,668	1,732,480	2,929,328	271,637	(808,227)	39,139,416
Segment profit or loss	3,963,177	3,703,230	1,741,568	742,061	98,346	(22,116)	(1,403,086)	8,823,182
Finance income/costs, net								(619,851)
Profit before tax								8,203,330

Third quarter ended August 31, 2015
(June 1, 2015 – August 31, 2015)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	1,102,208	1,468,966	1,137,055	604,065	792,375	180,017	—	5,284,687
Intersegment revenue	—	—	11,504	1,058	111,354	—	(123,916)	—
Total	1,102,208	1,468,966	1,148,559	605,123	903,729	180,017	(123,916)	5,284,687
Segment profit	70,645	44,442	562,093	337,443	13,519	103,185	(360,226)	771,104
Finance income/costs, net								(198,788)
Profit before tax								572,315

Third quarter ended August 31, 2016
(June 1, 2016 – August 31, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	4,522,071	1,114,271	1,407,943	633,573	737,242	69,096	—	8,484,199
Intersegment revenue	—	—	10,598	8,677	229,161	465	(248,902)	—
Total	4,522,071	1,114,271	1,418,542	642,250	966,404	69,562	(248,902)	8,484,199

Segment profit	35,857	3,343	38,527	11,721	8,013	,680	31,197)	,147,947
Finance income/costs, net								(184,935)
Profit before tax								963,012

6. Dividends

Dividends paid in the nine months ended August 31, 2015 and August 31, 2016 are as follows:

Nine months ended August 31, 2015				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2015	12	579,408	November 30, 2014	February 26, 2015

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

7. Earnings per share

	Nine months ended August 31, 2015	Nine months ended August 31, 2016
Profit attributable to owners of the parent (¥ thousand)	3,049,170	5,379,001
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	63.15	111.40

	Third quarter ended August 31, 2015	Third quarter ended August 31, 2016
Profit attributable to owners of the parent (¥ thousand)	395,223	635,019
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	8.19	13.15

Notes: 1. Basic earnings per share is calculated by dividing profit attributable to owners of the parent, by the weighted average number of ordinary shares outstanding during the reporting period.

2. Diluted earnings per share for the nine months ended August 31, 2015 and third quarter ended August 31, 2015 are not presented due to an absence of potential shares. Diluted earnings per share for the nine months ended August 31, 2016 and third quarter ended August 31, 2016 are not presented because there were no potential shares that have dilutive effects.

8. Financial instruments

i) Fair values and carrying amounts

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

(¥ thousand)

	As of November 30, 2015		As of August 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	18,791,081	18,791,081	22,097,993	22,097,993
Available-for-sale financial assets	1,225,047	1,225,047	1,310,640	1,310,640
Trade and other receivables	4,013,327	4,013,327	4,075,185	4,075,185
Trade and other payables	6,244,419	6,244,419	7,035,722	7,035,722
Borrowings	48,668,642	48,696,153	60,984,782	61,008,158

Method for measuring fair value of financial instruments

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

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

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

Available-for-sale financial assets

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

Non-current borrowings

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

ii) Fair value hierarchy

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

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

(¥ thousand)

	As of November 30, 2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,097,925	38	127,083	1,225,047
Financial liabilities measured at fair value with the change in fair value recognized through profit or loss (derivative)	—	13,180	—	13,180

(¥ thousand)

	As of August 31, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,164,460	38	146,141	1,310,640
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative)	—	40,001	—	40,001

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

(¥ thousand)

	Nine months ended August 31, 2016
Balance at beginning of period	127,083
Acquisition	80,410
Comprehensive income	
Profit (loss)	19,130
Disposal	(80,482)
Balance at end of period	146,141

9. Business combinations

In the nine months ended August 31, 2016, the Group engaged in the following business combinations.

Acquisition of Kishino Corporation and Kishino Real Estate Corporation

On March 31, 2016, the Company acquired 100% of the shares in Kishino Corporation and Kishino Real Estate Corporation, companies owning income-generating properties mainly in Toshima Ward, Tokyo, and engaging in the rental business.

The Group is stepping up its activities to acquire future sources of income. This M&A activity was performed as part of the acquisition methods therefor.

The fair values of consideration paid, assets acquired and liabilities assumed as of the acquisition date were as follows:

	Amount (Thousands of yen)
Fair value of consideration paid (Note)	3,054,784
Fair values of assets acquired and liabilities assumed	
Current assets	5,239,508
[Of which, cash and cash equivalents]	[431,500]
Non-current assets	109,202
Current liabilities	(285,402)
Non-current liabilities	(2,008,552)
Net assets	3,054,784

Note: Consideration paid was in cash.

The fair values of assets acquired and liabilities assumed were calculated by taking into overall consideration financial and asset conditions examined through third-party due diligence.

Acquisition costs related to these business combinations, of ¥170,553 thousand, were recorded in “other expenses.”

Profit and loss information and pro forma profit and loss information for these business combinations after the acquisition date are not stated, as its amount of impact on the condensed quarterly consolidated financial statements is immaterial.

10. Significant subsequent events

No item to report.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

October 6, 2016

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the third quarter (June 1, 2016 to August 31, 2016) and the nine-month period (December 1, 2015 to August 31, 2016) of the fiscal year from December 1, 2015 to November 30, 2016.

Management's Responsibility for the Condensed Quarterly Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Conclusion

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting.", and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of August 31, 2016, their operating results for the third quarter and the nine month ended August 31, 2016, and their cash flows for the nine months ended the same date.

Interest

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

End

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

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

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