TOSEI CORPORATION

CORPORATE GOVERNANCE

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Tosei Corporation

Representative Director: Seiichiro Yamaguchi

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URL : http://www.toseicorp.co.jp/english

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

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

1. Fundamental Approach

Fundamental Approach toward Corporate Governance

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

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

〈Principle 3.2.2 Coordination between the external accounting auditor and outside directors〉

In order to ensure adequate coordination between the accounting auditor and outside directors, the Company shall consider implementing regular meeting, where the accounting auditor and outside directors discuss and exchange opinions.

〈Principle 4.11.3 Evaluation of the Board of Directors〉

Each year, the Board of Directors shall analyze and evaluate its effectiveness as a whole, taking into consideration the self-evaluation by each director. An outline of the results shall be disclosed in the Business Report for the General Meeting of Shareholders, with the aim of the improvement of the effectiveness of the Board of Directors in the following fiscal year and thereafter.

The Company shall start disclosing the said results in the Business Report for the Ordinary General

Meeting of Shareholders held in the fiscal year ending November 30, 2016.

Disclosure Based on the Principles of the Corporate Governance Code]

The Company discloses the basic policy for each of principles of the Corporate Governance Code as "Tosei Corporation Basic Policy on Corporate Governance (hereinafter, the Company's Policy)" on the Company's website below.

http://www.toseicorp.co.jp/english/ir/policy/governance

Please refer to each of the following items in the Company's Policy for the matters to be disclosed as stipulated in the Corporate Governance Code.

Principle 1.4 Cross-Shareholdings

Principle 1.7 Related Party Transactions

Principle 3.1 Disclosure Enhancement

Principle 4.1 Roles and Responsibilities of the Board of Directors (1)

Principle 4.8 Effective Use of Independent Outside Directors

Principle 4.9 Independence Standards and Qualification for Independent Outside Directors

Principle 4.11 Preconditions to secure effectiveness of the Board of Directors and the Audit & Supervisory Board

Principle 4.14 Training of Directors and Audit & Supervisory Board Members

Principle 5.1 Policy for Constructive Dialogue with Shareholders

In accordance with the Principle 3.1, the Company discloses individual reasons for nomination as candidate for director at the 66th Ordinary General Meeting of Shareholders of the Company as follows.

〈Director〉

Seiichiro Yamaguchi

Since his appointment as a representative director of the Company in June 1994, he has long led the Company and the Group as an indispensable key person for the management of the Company, establishing the basis for its business foundation, and committed to the expansion of its business scale and domain. In addition, as a chairman of the Board of Directors, he made efforts to enhance the function of the Board of Directors by focusing on effective proceedings of matters for deliberation as well as inviting Audit & Supervisory Board Members and outside directors to present their opinions proactively. In view of the growth of the Group in terms of management over the medium- to long-term, the Company deems that his reappointment will contribute to the interests of the Group, and in turn, common interests of its shareholders, and therefore we nominate him as a candidate for director.

Katsuhito Kosuge

Having long supported representative director Seiichiro Yamaguchi in terms of marketing and management as a whole, he has pursued further business expansion of the Company, controlling and managing each business division and relevant subsidiaries properly as a chief officer of business division (profit generating division). In view of the growth of the Group in terms of management over

the medium- to long- term, the Company deems that his reappointment will contribute to the interests of the Group, and in turn, common interests of its shareholders, and therefore we nominate him as a candidate for director.

Noboru Hirano

Having long supported representative director Seiichiro Yamaguchi in terms of administration such as finance and corporate planning as well as management as a whole, he has pursued further improvement in the management quality of the Group, as a chief officer of administrative division (internal control division) of the Company, controlling and managing the pivotal points in business operations of each department of administrative division and subsidiaries properly. In view of the growth of the Group in terms of management over the medium- to long- term, the Company deems that his reappointment will contribute to the interests of the Group, and in turn, common interests of its shareholders, and therefore we nominate him as a candidate for director.

Goro Kamino

Since assuming office of outside director of the Company in February 2007, while leading SALA Corporation, as a representative director and having engaged in other companies, he has long collaborated with the Company in the enhancement of the governance system of the Company and the Group by providing valuable advices on various occasions including the Board of Directors meetings and liaison meetings with the Audit & Supervisory Board Members of the Company. In view of the growth of the Group in terms of management over the medium- to long- term, the Company deems that his advice based on the solid viewpoint as a manager of operating companies will contribute to the interests of the Group, and in turn, common interests of its shareholders, and therefore we nominate him as a candidate for director.

Kenichi Shohtoku

Since assuming office of outside director of the Company in February 2012, while leading SCS Global Holdings Pte Ltd as a representative director, he has contributed to strengthening the governance system of the Company and the Group by providing valuable advices on various occasions including the Board of Directors meetings and liaison meetings with the Audit & Supervisory Board Members of the Company. In addition, with respect to the overseas activities etc. of the Company, the Company benefits from his suggestions based on the expertise cultivated through his abundant overseas experiences mainly in consulting as a certified public accountant. In view of the growth of the Group in terms of management over the medium- to long- term, including overseas expansion, the Company deems that his reappointment will contribute to the interests of the Group, and in turn, common interests of its shareholders, and therefore we nominate him as a candidate for director.

2. Capital Structure

Foreign shareholding ratio	20% to under 30%

【Major Shareholders】

Name of shareholders	Number of Owned Shares	Share Holding Ratio (%)
Seiichiro Yamaguchi	12,885,500	26.68
Zeus Capital Limited	6,000,000	12.42
KBL EPB Ordinary Account 107501	2,412,700	4.99
Japan Trustee Services Bank, Ltd. (Trust Account)	2,250,300	4.66
CBNY-Government of Norway	1,577,988	3.26
State Street Bank and Trust Company 505001	1,415,200	2.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,168,500	2.42
BNP PARIBAS Securities Services Luxembourg／JASDEC／FIM／Luxembourg Funds	775,000	1.60
HSBC-Fund Services, Sparx Asset Management Co., Ltd.	736,700	1.52
MSCO CUSTOMER SECURITIES	610,700	1.26

Existence of controlling shareholders (excluding the parent company)	—

Existence of a parent company	No

Supplementary explanation
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3. Corporate Attributes

Listed exchange and market division	Tokyo Stock Exchange, First Section
Fiscal year end	November

Category of business	Real estate business
Number of employees (consolidated) as of the end of the latest fiscal year	100 to under 500
Consolidated sales of the latest fiscal year	10 to under 100 billion yen
Number of consolidated subsidiaries as of the end of the latest fiscal year	Under 10

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

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

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

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

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

1. Matters Concerning Governing Bodies and Conduct of Organizations

Organizational form	Company with Audit & Supervisory Board Members

【Board of Directors】

Number of directors in the Articles of Incorporation	6
Term of directorship in the Articles of Incorporation	2 years
Chairperson of Board of Directors meetings	President
Number of directors	5

Appointment of outside directors	Yes
Number of outside directors	2
Number of outside directors appointed as independent director	2

Relationship between outside directors and the company (1)

Name	Attributes	Relationship with the Company (*)									
		a	b	c	d	e	f	g	h	i	j	k
Goro Kamino	From other company											
Kenichi Shohtoku,	Certified public accountant								△			

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

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

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

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

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

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

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

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

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

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

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

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

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

k Other

Relationship between outside directors and the Company (2)

Name	Independent Director	Supplemental Information Concerning Eligibility for the Position	Reason for the election
Goro Kamino	Yes		Mr. Kamino has no interest in the Company which may conflict with the interest of general shareholders of the company, and his independence is secured. In addition, he has extensive experience and knowledge as a management executive of listed companies including a gas company which is highly public. The Company believes he can, in his objective standpoint, fully supervise other directors and provide advices/suggestions to ensure the adequacy and appropriateness of the directors' decision-making.
Kenichi Shohtoku,	Yes	Mr. Shohtoku is the representative director of SCS Global Holdings Pte Ltd, with which the Company had a consulting service agreement until February 28, 2015 in connection with overseas operational development. However, the Company expects no conflict of interest to arise between him and its shareholders, as the amount of fees paid to the said company was immaterial, and it ~~is~~ was not economically dependent on the Company.	As a certified public accountant, Mr. Shohtoku has an extensive experience and knowledge including those relating to overseas business. The Company believes he can provide appropriate supervisions over the Company's operation, with his objective position as an accounting professional.

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

Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nominating Committee	Nominating and Compensation Advisory Committee	4	0	2	1	0	1	Outside director
Committee Corresponding to Compensation Committee	Nominating and Compensation Advisory Committee	4	0	2	1	0	1	Outside director

Supplementary Explanation

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

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

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

【Audit & Supervisory Board Members】

Existence of Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board Members in the Articles of Incorporation	6
Number of Audit & Supervisory Board Members	5

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

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

In the course of auditing activities conducted in accordance with the annual audit plan, the Audit & Supervisory Board Members closely work with the accounting auditors by regularly exchanging information and opinions. The Audit & Supervisory Board Members receive the audit results from the accounting auditors, and witness the audits performed by the accounting auditors from time to time. The meetings for the accounting auditors to report to the Audit & Supervisory Board Members (Audit & Supervisory Board) were held six times during the year ended November 30, 2015.

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

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

Appointment of outside Audit & Supervisory Board Members	Yes
Number of outside Audit & Supervisory Board Members	5
Number of outside Audit & Supervisory Board Members appointed as independent auditor	5

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

Name	Attributes	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yutaka Kitamura	From other company										△			
Hiroshi Nishinakama	From other company										△			
Yasuhiro Honda	From other company													
Tatsuki Nagano	From other company													
Osamu Doi	From other company													

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

m Other

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

Name	Independent Audit & Supervisory Board Member	Notes Concerning Eligibility for the Outside/Independent Audit & Supervisory Board Member	Reason for the election
Yutaka Kitamura	Yes	Mr. Kitamura was an operating officer of Mizuho Trust & Banking Co., Ltd. until 2005 with which the Company has business relationship. However, the Company is not economically dependent on Mizuho Trust, given the size of transactions with the bank, and it believes this will not affect his independency required as an independent director.	Mr. Kitamura has gained abundant experience including overseas assignments primarily at a major financial institution, as well as professional knowledge in this field. The Company believes that he will be a contributor in ensuring the adequacy and appropriateness of the management of the Company, particularly in financial and global aspects.

Hiroshi Nishinakama	Yes	Mr. Hiroshi Nishinakama was an executive at The Bank of Tokyo-Mitsubishi UFJ, Ltd., with which the Company has a business relationship, until 2007. In addition, he was an executive at ORIX Corporation, with which the Company also has a business relationship, until February 2015. However, since the Company has a low level of economic dependence on each of these companies in light of the scale of these business relationships, the Company believes that this does not have an impact on the independence of Mr. Nishinakama as an Outside Audit & Supervisory Board Member.	Mr. Hiroshi Nishinakama has extensive experience and expert knowledge, accumulated mainly at major financial institutions including work overseas. Consequently, the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company's management, particularly from a financial and global viewpoint.
Yasuhiro Honda	Yes	-	Mr. Honda has no interest in the Company which may conflict with general shareholders of the Company, and has maintained his independence. With his extensive management experience and professional knowledge primarily in the administrative divisions of a major construction firm, the Company believes that he will be a contributor in ensuring the adequacy and appropriateness of the management of the Company.
Tatsuki Nagano	Yes	-	Mr. Nagano has no interest in the Company which may conflict with the interest of the general shareholders of the Company, and has maintained his independence. He has experience at a major financial institution and continues to be involved in the business management as a company representative. The Company believes that he will contribute to the Company in ensuring the adequacy and appropriateness of the management of the Company, with his extensive experience and high level of professional

			knowledge.
Osamu Doi	Yes	-	Mr. Doi has no interest in the Company which may a conflict with the interest of the general shareholders of the Company, and has maintained his independence. The Company believes that he will contribute to the Company in ensuring the adequacy and appropriateness of the business management of the Company with his abundant experience and professional knowledge he acquired in his past careers at a major securities firm and an investment banking firm.

【Independent Directors/Audit & Supervisory Board Members】

Number of independent directors/Audit & Supervisory Board Members	7

Other Matters Concerning Independent Directors/Audit & Supervisory Board Members

All eligible outside directors are designated as independent directors.

【Incentives for Directors】

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

Supplementary explanation concerning the above

The Company introduced stock options to further incentivize people to work to improve the performance and enhance the corporate value of the Group.

The 65th Ordinary General Meeting of Shareholders of the Company held on February 25, 2015, passed a resolution approving the amount and other details of remuneration provided as stock options to directors, and on October 28, 2015, the Board of Directors resolved to issue stock acquisition rights as stock options to directors, executive officers, and employees of the Company (including persons who are seconded to the Company's subsidiaries), and directors of the Company's subsidiaries. On November 26, 2015, the stock acquisition rights were allotted to those eligible in accordance with a resolution of the Board of Directors made on November 25, 2015.

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

Supplementary explanation concerning the above

On October 28, 2015, the Board of Directors resolved to issue stock acquisition rights as stock options to directors, executive officers, and employees of the Company (including persons who are seconded to the Company's subsidiaries), and directors of the Company's subsidiaries. On November 26, 2015, the stock acquisition rights were allotted with the conditions below in accordance with a resolution of the Board of Directors made on November 25, 2015.

・Number of shares to be delivered upon exercise of each stock acquisition right 100 shares

・Persons to whom stock acquisition rights were allotted, and number of stock acquisition rights allotted

Directors of the Company	Five persons (of whom two were outside directors), 340 units (of which 40 were allotted to outside directors)
Executive officers of the Company	Seven persons, 490 units
Employees of the Company	193 persons, 3,980 units
Directors of the Company's subsidiaries	Four persons, 250 units

・Allotment date November 26, 2015

・Exercise period January 10, 2018, through October 28, 2020

・Exercise value Yen 803

【Directors' Remuneration】

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

Supplementary explanation concerning the above

The remuneration paid to the directors is as follows:

Total amount of the remuneration paid to the directors: Yen 145,101 thousand
(from the Annual Securities Report for the 66th Fiscal Period (December 1, 2013 - November 30, 2014))
The above amount includes Provision for the directors' retirement benefits of Yen 5,472 thousand for the said fiscal period.

Existence of Policies for determining remuneration amounts and calculation method	Yes

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

The maximum amounts of remuneration to be paid to the directors and to the Audit & Supervisory Board Members are determined by a resolution made at the General Meeting of Shareholders. Remuneration for each director shall consist of fixed salary according to their duties, performance-linked bonuses and stock options that can be exercised after a defined period of time. After the discussion on the adequacy of its contents in the Nomination and Compensation Advisory Committee, the Board of Directors shall make decision thereof by its resolution. The remuneration of Audit & Supervisory Board Member is determined by the deliberation of the Audit & Supervisory Board Members.

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

1. **Support System Provided for Outside Directors**

   The Company, as a form of information distribution for the outside directors, sends out materials and the minutes of the preliminary meeting for the meeting of the board of directors (constituted by full-time directors and full-time audit and supervisory board members), and shares information about proposal details before board meetings are held. Notices for periodical board meeting are sent out three days prior to the meeting, and also distributes the meeting agendas/materials in advance. The meeting agendas/materials for extraordinary board meeting are also distributed in advance of the meeting, as a general rule. When there is an absentee, the Administration & HR Department informs him/her of the matters resolved at such meetings.

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

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

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

1. Operation of the Meetings of Board of Directors

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

2. Nominating and Compensation Advisory Committee

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

3. Audits Performed by Audit & Supervisory Board Members

The Company has adopted the Audit & Supervisory Board Member system and has the Audit & Supervisory Board with two full-time and three part-time Audit & Supervisory Board Members. All of these five persons fall under the definition of outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act. The meetings of the Audit & Supervisory Board are held once a month as a general rule, and the matters of concern are discussed and resolved at such meeting. The activities conducted by the full-time Audit & Supervisory Board Members are also reported to the part-time Audit & Supervisory Board Members so that the information is commonly shared by all the Audit & Supervisory Board Members. The Audit & Supervisory Board Members also attend the meeting of the Board of Directors, the preliminary meeting for the meeting of the board of directors where matters to be

resolved at the board meetings are confirmed in advance, as well as the management meeting, which serves as a consultative body for the matters to be approved by CEO.

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

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

4. Executive Officer System

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

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

5. Corporate Governance Meeting

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

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

6. Internal Audit

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

the audited departments as to the issues in need of corrective actions and follows up with specific guidance.

7. Information Disclosure

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

8. Audit by Accounting Auditors

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

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

Name of Audit Corporation：	Shinsoh Audit Corporation
Designated Partner/Engagement Partner:	Takayuki Sakashita, CPA (Number of continuing audit years including the current fiscal year: 2)
Designated Partner/Engagement Partner:	Atushi Iijima, CPA (Number of continuing audit years including the current fiscal year: 1)

9. Limited Liability Agreement

The Company has concluded contracts for limitation of liability with Goro Kamino and Kenichi Shotoku as Outside Directors of the Company, and Yutaka Kitamura, Hiroshi Nishinakama, Yasuhiro Honda, Tatsuki Nagano and Osamu Doi as Outside Audit & Supervisory Board Members pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits their liability to the amount provided by relevant laws and regulations.

3. Reasons for Adopting the Current Corporate Governance System

The Company has set up the Board of Directors and the Audit & Supervisory Board. While

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

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

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

III. Implementation of Measures for Shareholders and Other Interested Parties

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

	Supplementary Explanation
Early Notification of General Shareholders Meeting	The Company has implemented "early notification" (sending at least 3 business days prior to the statutory date).
Avoidance of Peak Day	Not applicable (As the general shareholders meeting of the Company is held in February)
Exercise of Voting Rights by Electronic Means	The Company has implemented "the exercise of voting rights via the internet".
Participation in Electronic Voting Platform as well as Improving the Environment for Voting by Institutional Investors	The Company implements "the exercise of voting rights via the internet" as well as participation in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc. since ordinary general meeting of shareholders held in February 2015.
Preparation of Convocation Notice (a summary of the original) in English	Convocation notice is provided in English.

Others	In order to foster a better understanding among the shareholders, the Company is conducting 1) the general shareholders meetings with visual presentations and 2) the post-meeting explanatory sessions on the Company's future business strategies. In addition, the convocation notice of the general shareholders meeting has been posted on its corporate website in both Japanese and English before it is dispatched.

2. Status of Investor Relations Activities

	Supplemental Information	Presentation by the Company representative
Establishment and Disclosure of Disclosure Policies	Disclosure policies have been established and disclosed on the Company's corporate website.	
Periodical Briefing Sessions for Individual Investors	Periodical briefing sessions are held for the purpose of communicating with individual investors.	Yes
Periodical Briefing Sessions for Analysts and Institutional Investors	Large meetings (following full year and half year operating results announcements) are organized.	Yes
Availability of IR Materials on the Corporate Website	IR information platform is posted on the Company's corporate website, and "News Release" discloses the latest information. "IR Library" page contains the Company's financial statements and the Annual Securities Reports. The quarterly presentation videos are also posted with the presentation slides. The English versions of the IR materials and the presentation videos are disclosed as well.	
Designation of a Department (or person) responsible for Investor Relations	Accounting Department	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplemental Information
Provision of Rules on Respect for the Positions of the Stakeholders under the Internal	The Company has established the information disclosure regulations, effective from December 2006.

Regulations of the Company	
Conducting of Environmental Preservation Activities and CSR Activities	As a way to contribute to the natural environment through its business activities, the Company develops environmentally-friendly office buildings/housing and promotes revitalization of existing properties. The Company also works on in-house energy savings as well as promoting tree-planting activities. Since 2011, it has also conducted volunteer activities to support the areas affected by the Great East Japan Earthquake. The details of the aforementioned activities are reported in "Tosei Group's CSR Activity Report" on a yearly basis and disclosed on the Company's corporate website.
Establishment of Policies Concerning Provision of Information to Stakeholders	The disclosure policies have been established and put into effect.

IV. Matters Concerning Internal Control System

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

The Company's basic policies of internal control system have been partially amended at the board meeting held on July 27, 2015 and are currently as stated below. The progress of system development as of November 30, 2015 is also provided later in this section.

Basic Policies for "Ensuring Appropriate Company Management"

1. Basic Policies for Compliance with Laws and Regulations

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

2. Basic Policies for Storing and Managing of Information

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

3. Basic Policies for Management of Risk of Loss

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

(2) Enhance monitoring of risk management.

(3) Establish a proper whistle-blowing system for any occurrences and/or signs of surfacing of contingencies.

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

4. Basic Policies for Efficient Execution of Duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

Board Members.

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

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

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

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

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

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

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

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

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

The internal control system of the Group implemented and operated as of November 30, 2016 is as follows :

1. Compliance with Laws and Regulations

(1) Ensure awareness regarding compliance with laws and regulations

In order to promote awareness of compliance with laws and regulations, the Company establishes a risk management and compliance program at the beginning of the fiscal year and provides various training sessions to employees. In addition, the Company continues monthly publication of an in-house booklet, and gathers and publishes compliance slogans to foster the legal awareness of employees.

At the Compliance Committee (held monthly) composed of executive officers in charge of each division and compliance officers of each of the Group companies, and at a business law liaison meeting (held monthly) attended by heads of business teams of the operational divisions and responsible personnel from each Group company, the participants share information about amendments of laws and regulations, etc. and notices from the presiding ministries and industry associations of which the Group is a member and assess instances of breaches of laws and regulations by other companies. Those details are reported to the monthly meetings of the Board of Directors.

In addition, the Company provides compliance trainings to new employees when they join the Company and carries out a compliance questionnaire for all employees of the Group every year to assess the extent of the penetration of awareness regarding compliance with laws and regulations.

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

For the purpose of overseeing breaches of laws and regulations associated with the execution of businesses, the Company strives to strengthen the overseeing and supervising function of the Board of Directors by appointing two Outside Directors and five Audit & Supervisory Board Members (all outside members). Audit & Supervisory Board Members periodically hold a meeting to exchange opinions with Outside Directors (four times during the period under review) and the legal advisors of the Company (three times during the period under review) in order to identify any signs of breaches of laws and regulations by Directors who execute the business.

Furthermore, while the Internal Audit Department conducts internal audits of the businesses executed by the Company and each Group company and assesses any breach of laws and regulations, the Company has established a whistle-blowing system providing contact points both inside and outside the Company and keeps all employees of the Group informed of the whistle-blowing system to strengthen the structure that promptly detects breaches of laws and regulations. The whistle-blowing system added a new contact point with a direct access

to full-time Audit & Supervisory Board Members, which is in place starting from the fiscal year ending November 30, 2016.

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

At the Board of Directors' meeting, the management meeting attended by full-time Directors and all executive officers as well as Audit & Supervisory Board Members, and the Compliance Committee, efforts are made to collect information about signs or occurrence of breaches of laws and regulations, and reports on any concerns are enforced. The Company has stipulated and informed the rules that require a crisis management office directed by the President and CEO as the head to be immediately established once breaches are identified, confirmation of facts and circumstances, and prompt and appropriate information disclosure.

(4) Eliminate any association with anti-social forces

The Company continues screening of counterparties at the inception of transactions and carries out a regular training on action against anti-social forces for all employees of the Group every fiscal year in order to completely eliminate any association with anti-social forces.

2. Storing and managing information

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

Trainings on information asset management and prevention of insider trading are carried out in order to continuously enhance awareness regarding storing and managing important information including personal information, handling and reporting important information about the Company, other listed companies and listed REIT (insider information).

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

Regulations regarding acquisition, storage, management, and disposal of information assets (printed and electronic information) are reviewed, more severe penalties for breaches of such regulations are implemented, and the regulations and penalties are thoroughly informed.

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

The Information Disclosure Committee, which consists of executive officers in charge of each division (held 22 times during the period under review), identifies information for which timely disclosure is required, and reviews the contents of information to be disclosed and the document in which the information is disclosed. In addition, any changes in the rules regarding timely disclosure in connection with amendments of rules and regulations

prescribed by the Tokyo Stock Exchange and the Singapore Exchange are reviewed as necessary by the Committee and reported to the monthly meetings of the Board of Directors.

3. Management of Risk of Loss

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

A risk management program is set at the beginning of the fiscal year, and an annual plan regarding risk management is prepared and implemented.

In understanding, analyzing and assessing risks, an external consulting firm assesses significance of risks related to overall operations as well as individual businesses on a regular basis, sorts out risks specific to each division, and considers countermeasures in case risks arise.

Also, various trainings are continuously provided to all employees to enhance their risk sensitivity in their daily activities.

From the fiscal year under review, the Company implemented stress tests assuming there are changes in the condition of real estate markets, interest forecast, financial institutions' lending stances, etc.

(2) Enhance monitoring of risk management

At corporate governance meetings attended by full-time Directors and full-time Audit & Supervisory Board Members that are held monthly, risks associated with executions of businesses by the Company and each Group company are reported regularly by the full-time Directors to the full-time Audit & Supervisory Board Members.

In addition, at the meetings of the Risk Management Committee, which is composed of the heads of each division and the risk management officers of each Group company, surfacing risks as well as the background and status of such risks are reported by each division and each Group company, which are then reported to the meetings of the Board of Directors of the Company.

The Internal Audit Department monitors responses to such surfacing risks as necessary and reports the results of monitoring to the President and CEO.

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

Risks that may occur are reported at the monthly meetings of the Risk Management Committee, which are then reported to the monthly meetings of the Board of Directors.

In addition, the executive officers of each division hold a weekly meeting at each division to promptly identify any business troubles and claims and to ensure that initial actions are

instructed. All matters discussed at the meeting are reported to the President and CEO.

Full-time Audit & Supervisory Board Members have regular interviews with full-time Directors, executive officers in charge of each division and heads of each division and inform them that any signs of occurrence of contingencies should be reported to Audit & Supervisory Board Members as appropriate and officers and employees are required to report immediately to Audit & Supervisory Board Members if they identify any contingencies.

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

Actions to be taken in case of occurrence of contingencies are prescribed in regulations and informed by preparing manuals. During the fiscal year under review, the Company merged two risk management related regulations, two compliance related regulations, and one business risk management regulation into one risk/compliance regulation, and has promoted awareness of risk and crisis management in the Company.

In case of occurrence of a contingency 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.

4. Efficient Execution of Duties by the Directors

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

In addition to the regular meetings of the Board of Directors, which are held on a monthly basis, extraordinary meetings of the Board of Directors are held flexibly in order to make decisions promptly (regular meetings were held 12 times, and extraordinary meetings were held eight times during the current period).

In order to ensure that deliberations by the Board of Directors are carried out efficiently and substantially, management meetings attended by all executive officers and all Audit & Supervisory Board Members are held to examine the matters to be resolved at the Board of Directors in advance (regular meetings were held 24 times, and extraordinary meetings were held six times during the current period).

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

Corporate philosophy has been formulated to thoroughly communicate the management policy and the direction the Group should take, and a medium-term management plan and annual business plans are formulated in accordance with the philosophy.

As for preparation of business plans, business plans and budgets for subsequent periods are formulated taking into consideration of the trend of the performance progress of the ongoing period based on the analysis of internal and external economic environment, the condition of real estate markets, etc.

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

In order to enhance the agility of the reorganization of business division implemented in the previous fiscal year (in which four departments were newly reorganized into four departments and eight teams of asset solutions business), the number of executive officers in charge of the department has increased.

In addition, the Company initiated restructuring of the function of the Administrative Division aiming at an effective and efficient internal management structure in line with the increased number of employees and Group companies associated with the expansion of its businesses.

5. Properness of operations of entire Group

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

Two major Group companies are required to establish their own risk management and compliance program at the beginning of the fiscal year, and at these companies, the compliance with laws and regulations are thoroughly informed, and trainings, etc. are carried out to promote their awareness. Other Group companies are required to attend the trainings conducted by the Company to foster their awareness. Furthermore, responsible personnel of each Group company are required to attend meetings of the Company's Compliance Committee and business law liaison meetings (both held monthly) to ensure information sharing and reporting from each company. In addition, the Company's in-house booklets about compliance with laws and regulations are distributed to the Group companies to keep them informed of the importance of compliance.

The same compliance questionnaire as the Company is conducted 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.

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

Full-time Directors, Audit & Supervisory Board Members and executive officers of the Company serve concurrently as outside officers of Group companies and review management issues and risks of each company. Responsible personnel of each Group

company are required to attend the monthly meeting held by the Risk Management Committee of the Company to ensure information sharing and reporting from each company, and also required to report the status of their responses to the issues of each company at the Company's management meeting on a monthly basis.

The Internal Audit Department of the Company monitors responses to the surfacing issues and potential risks of each company as necessary and reports the results of monitoring to the President and CEO of the Company and the Director in charge of the Group company. When necessary, an external organization checks the status.

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

Based on the medium-term business plan in line with the Group's corporate philosophy, annual business plans and budgets are prepared toward the achievement of such plan. The progress of the business plans and budgets is reported at the management meeting 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 performance progress review meeting held with each company on a half-yearly basis.

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

In addition to the periodical reports at each of the Company's meetings and committees held on a monthly basis (the management meeting, the Risk Management Committee and the Compliance Committee), full-time Directors, Audit & Supervisory Board Members, executive officers who serve concurrently as officers of Group companies report to the President and CEO of the Company as necessary.

Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

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

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

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

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

Wrongful acts and/or irregular transactions are overseen by providing monthly management reports of each Group company at the management meeting attended by Audit & Supervisory Board Members of the Company and having periodic interviews (twice a year) by Audit & Supervisory Board Members of the Company with representatives of each Group company. Also, rules have been established requiring any significant transactions by a Group company with the Company or other Group companies to be reported in advance to the Board of Directors of the Company.

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

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

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

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

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

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

Full-time Audit & Supervisory Board Members are provided with reports about various issues of the Company and each Group company regarding all aspects of management at monthly corporate governance meetings. The President and CEO makes reports on his areas of responsibility in the interviews by full-time Audit & Supervisory Board Members once a month, whereas other full-time Directors make such reports once a quarter and executive officers and heads of divisions make the reports twice a year. In addition to the events and signs that may lead to potential significant risks, any individual surfacing issues are reported to Audit & Supervisory Board Members in a timely and appropriate manner.

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

At the management meetings of the Company, each Group company is required to reports occurrence and signs of any material losses along with the monthly management reporting. In addition, full-time Audit & Supervisory Board Members of the Company have interviews with representatives of each Group company on a regular basis (once at the investigation of subsidiaries, twice a year upon opinion-exchanging meetings) to share information and exchange opinions about significant risks associated with management of the Group company.

At morning briefings and training sessions, all officers and employees of the Group are 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.

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

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

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

The Company established a whistle-blowing system that provides both internal contact point that leads to the chairman of the Compliance Committee and the head of the Administration and HR Department of the Company and external contact point that leads to a third party organization where anonymity of the whistle-blower is preserved. 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 informed of the system at the morning briefings and training sessions. During the fiscal year under review, the whistle-blowing system added a new contact point with an access to Audit & Supervisory Board Members, which is in place starting from the fiscal year ending November 30, 2016.

Reports through the whistle-blowing systems, 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.

(7) Allowance for 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.

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

At the Board of Directors' meeting 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 as well as the issues pointed out and matters requested to be considered in the quarterly meetings in which the audit corporation explains its audit result to the Directors.

With the aim of enhancing the threefold auditing structure, full-time Directors provide appropriate cooperation for holding periodic meetings in which the audit corporation reports to the Audit & Supervisory Board Members (Audit & Supervisory Board) as well as the periodic meetings at which Audit & Supervisory Board Members and Internal Audit Department exchange opinions.

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

In addition to the Board of Directors' meeting, full-time Audit & Supervisory Board Members attend the important meetings and committees of the Company (corporate governance meetings, management meetings, the Compliance Committee, the Risk Management Committee, and the Information Disclosure Committee) to verify the management conditions of the entire Group, risk information, and financial information, and to share information. Furthermore, in addition to the periodic interviews by full-time Audit & Supervisory Board Members with full-time Directors including the President and CEO, executive officers, and representatives of the Company's subsidiaries, the liaison meetings of Audit & Supervisory Board Members of the Group companies are held on a half-yearly basis with necessary cooperation by full-time Directors.

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

The Company recognizes any association with anti-social forces will result in a breach of laws and

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

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

V. Others

1. Whether Takeover Defense Measures Are in Place

Whether Takeover Defense Measures Are in Place	Yes

Supplementary Explanation Concerning the Subject Matter

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

(1) Contents of the basic policy

The Company believes it is necessary for the persons who control decision-making regarding the Company's financial and business policies to have a sufficient understanding of the financial and business affairs of the Company and the source of its corporate value, and to be capable of continuously and sustainably ensuring and enhancing the Company's corporate value and, in turn, the common interests of its shareholders.

The Company also believes that decisions regarding takeover propositions involving a change of control of the Company should ultimately be made based on the will of the shareholders of the Company as a whole. Furthermore, the Company will not reject a large-scale acquisition offer of the shares of the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nevertheless, among them are not a few forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders. Such acquisitions include those with a purpose that would apparently harm the corporate value of the target company and the common interests of its shareholders, those with the potential to practically 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 offer, 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 than those originally 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 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 a person who undertakes 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 will not be the right person to control decisions on the Company's financial and business policies. The Company believes that it needs to secure the corporate value of the Company and, in turn, the common interests of its shareholders, by taking necessary and appropriate countermeasures against such large-scale acquisition offers,

(2) Overview of the 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 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.

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

This plan is a measure to prevent persons deemed as inappropriate, in view of the aforementioned basic policy, from controlling the decisions on the Company's financial and business policies, and its objective is to ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The plan stipulates procedures to be followed in an acquisition, etc. of shares, etc. of the Company ((A) a purchase and/or other acquisition of the shares and the like issued by the Company that would result in the holding ratio of share certificates, etc. *(kabuken tou hoyuu wariai)* of a holder *(hoyuusha)* of 20% or more; or (B) a tender offer *(koukai kaitsuke)* with respect to the shares, etc. issued by the Company that would result in the sum of the offeror's ownership ratio, and that of the persons having a special relationship with the offeror, of 20% or more; or any actions similar to (A) or (B) above) by those trying to acquire (hereinafter, the "Acquirer").

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

Upon receiving these documents, an independent committee will conduct the review of the acquisition terms, collection of information on materials such as the management plans and business plans of the Acquirer and the Company's board of directors and comparison thereof, the review of alternative plans, etc. presented by the Company's board of directors, and discussions and negotiations with the Acquirer, while obtaining advice from independent experts. In the meantime, the Company will disclose information in a timely manner.

When the acquisition is not in compliance with the procedures stipulated in the plan, and/or there is possibility of such offer to apparently cause harm to the corporate value of the Company and, in turn, to the common interests of shareholders, and it is appropriate for the Company to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will comply with the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the Acquirer to exercise the rights and an acquisition provision to the effect that the Company will acquire the stock acquisition rights in exchange for shares of the Company from persons other than the Acquirer. The Company's board of directors will resolve, as an agency stipulated by the Companies Act, as to the implementation or non-implementation of the gratis allotment of stock acquisition rights, fully respecting the recommendation of the Independent Committee. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will follow the shareholders' intent. If the procedures under this plan have commenced, the Acquirer must refrain from making any acquisition until the Company's board of directors resolves not to trigger the plan. The plan will remain in effect until the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years of the conclusion of the 65nd Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

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

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

In addition, the Company's board of directors is of the view that the plan is in line with the basic policy, does not undermine the common interests of the Company's shareholders, and is not for the

purpose of maintaining the positions of the Company's corporate officers, based on the following reasons: an approval at the general meeting of shareholders has been obtained for its renewal; its maximum effective period is stipulated to be three years and it can be abolished at any time by the resolution of the Company's board of directors; an independent committee, which is comprised of the members that are independent of the management of the Company, has been established and the countermeasures stipulated in the plan requires the decision by the independent committee for actual executions; and the plan fully satisfies the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

2. Other Matters Concerning the Corporate Governance System

1. Overview of the Corporate Governance System

Tosei Group has implemented the "system to ensure that directors' execution of duties comply with relevant laws and regulations as well as the articles of incorporation, and other systems to ensure appropriateness in the operations of the Company", as stipulated in the Company Act (so called "an internal control system"). (Please refer to "Basic Policies of Internal Control Systems and the Progress of the System Development" for the detail.) Furthermore, the Group works to enhance its risk management system and offers compliance training for all of its employees in the Group, as well as to develop and enhance the timely information disclosure system. The Group also supports the preservation of the natural environment through its business activities such as promoting the development and/or refurbishment of environmentally-friendly office/condominium buildings and promoting in-house energy savings as well as tree-planting activities. Since 2011, the company has also been conducting the volunteer activities to support those areas affected by the Great East Japan Earthquake.

2. Overview of Timely Information Disclosure System

(1) Basic Policy

Tosei Corporation takes its stand on the viewpoint of corporate governance and the company's social responsibility, as well as on the understanding that the enterprise value is the standard of the market. Therefore, it believes that a proper management of the corporate information and a timely and rational disclosure of the important information is the most important responsibility of a corporation. Hence, the Company is making efforts to develop necessary internal systems for its timely information disclosure, in order to firmly establish the investors' trust in the Company and the credit standing of the Company in the capital market.

(2) System for a Timely Information Disclosure

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

(i) The Officers/Departments in Charge of Information Disclosure

The executive responsible for the Company's information disclosure is the Senior Executive Officer of Administrative Division and the department in charge is the Accounting Department.

(ii) Information Disclosure Committee

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

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

(B) Identifying and Verifying Information to be Disclosed

In order for the Company to disclose its corporate information in a proper and timely manner, the Accounting Department in charge of the information disclosure works to establish a system which enables close communications with the Board of Directors, the Management Committee, the operational and administrative departments, as well as the Company's subsidiaries.

(i) The Board of Directors, Preliminary Meeting for the Meeting of the Board of Directors, and Management Committee Meetings

The officer in charge of information disclosure is a constituent member of the Board of Directors, the preliminary meeting for the meeting of the board of directors and the Management Committee Meeting, and the Company maintains a system which allows prompt identification of the matters that may require timely disclosures.

(ii) The Operational and Administrative Divisions

As for the operational and administrative divisions, the Administration & HR Department reviews the circulated approval request memorandums, from the compliance standpoint. This enables the Accounting Department to identify the matters which may be subject to information disclosure.

(iii) The Subsidiaries

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

(C) The Guidelines for Timey Information Disclosure

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

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

(ii) Rules and regulations of the Tokyo Stock Exchange

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

(iv) The Articles of Incorporation of the Company

(v) The Insider Trading Prevention Regulations of the Company

(vi) The Information Disclosure Regulations of the Company

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

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

- The significant information of the Company as determined in our Information Disclosure Regulations, such as "information legally required to be disclosed", "information required to be timely disclosed", or "information required to be disclosed by the Singapore Exchange", is promptly reported by the relevant operational department to the Corporate Planning Department, a secretarial office of the Company's management committee meetings, or to the Administration & HR Department, a secretarial office of the board meetings. The Corporate Planning Department and/or the Administration & HR Department then instruct the subject departments to carefully manage such information and review the details of such information if necessary and promptly make a report to the Accounting Department.

- The Accounting Department as the office of the Information Disclosure Committee reports such pieces of information to the Committee for its review, and the

Committee determines whether the disclosure is necessary.

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

(E) Procedures for a Timely Disclosure

(i) General Procedure

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

(ii) Emergency Case Procedure

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

(3) Managing Corporate Information

(A) Preventing Information Leakage

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

course of duty, so as to prevent any leakage. In the event drafting of document and/or preparation of material is outsourced, the Company takes appropriate actions to ensure confidentiality.

(B) Insider Trading Regulation

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

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

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

(ii) Managing of insider Information

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

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

With respect to the "activities done by the Information Disclosure Committee", the Company designates such activities as one of the agenda items to be regularly reported at the monthly board meetings (the party in charge of the regular reporting agenda is the Administration & HR Department), to ensure that its directors are fully aware of the current status of the Company's timely disclosure and information control.

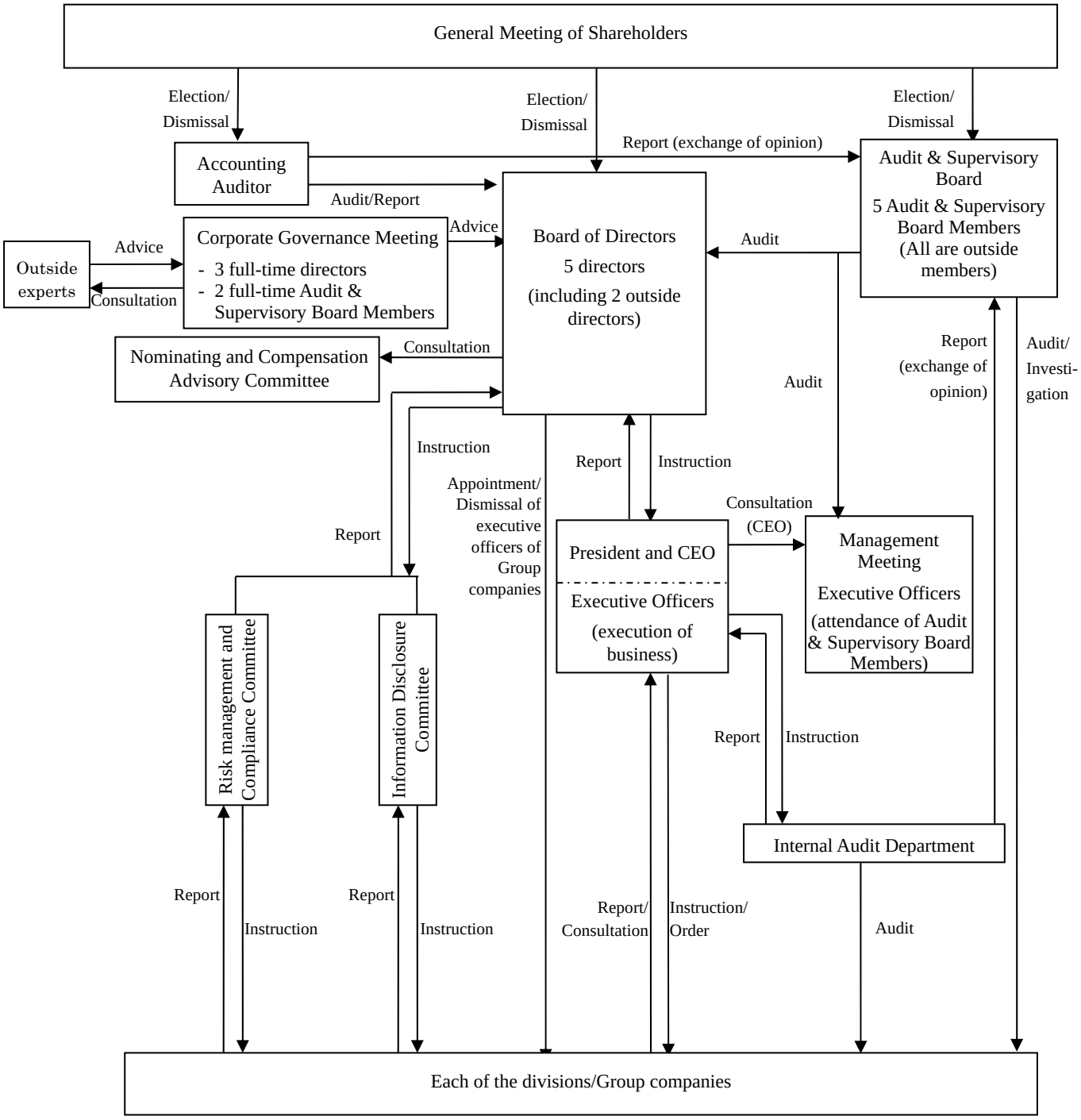
(iv) Educating employees and directors of the Company

The Company tries to educate and enlighten its employees and directors regarding the

insider trading issues, during the training sessions organized by the Administration & HR Department.

The End of Document

Tosei Corporation’s Corporate Governance System - Diagram



Tosei Corporation's Information Disclosure - Operational Flow

