Tosei Corporation

Securities Code: 8923
February 5, 2020

Dear Shareholders,

Notice of the 70th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 70th Ordinary General Meeting of Shareholders of Tosei Corporation (the "Company"; this meeting, the "Meeting"), which will be held as described below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electromagnetic method (using the Internet, etc.). Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 6:00 p.m. on Tuesday, February 25, 2020 (JST).

For information on voting results when voting rights are exercised by electromagnetic method (using the Internet, etc.), please refer to "Guide to Exercising Voting Rights via the Internet, etc." on pages 47 through 48.

Sincerely yours,

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

Details

1. **Date and Time:**
   Wednesday, February 26, 2020, at 10:00 a.m. (JST) (The reception for attendees begins at 9:00 a.m.)
2. **Place:**
   Jiji Press Hall (2nd Floor, Jiji Press Building)
   5-15-8 Ginza, Chuo-ku, Tokyo
3. **Purpose of the Meeting**
   Matters to be reported:
   a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements, for the 70th term (from December 1, 2018 to November 30, 2019)
   b. Non-consolidated Financial Statements for the 70th term (from December 1, 2018 to November 30, 2019)

   Matters to be resolved:
   Proposal 1: Appropriation of Surplus
   Proposal 2: Partial Amendments to the Articles of Incorporation
   Proposal 3: Election of Nine (9) Directors
   Proposal 4: Revision of Remuneration for Directors

Notes:

* When you attend the Meeting, you are kindly requested to present the enclosed Voting Form to the receptionist.

* If any changes are made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements, such changes will be posted on the Company's website (https://www.toseicorp.co.jp/)

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

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as shown below:

Year-end dividend

Taking into account such factors as our operating results for the fiscal year under review and our future business development, the Company proposes the year-end dividend for the 70th term as shown below.

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

   Dividends per ordinary share of the Company: ¥42
   Total amount of dividends: ¥1,998,632,790
3. Effective date of dividends from surplus: February 27, 2020

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

(1) In order to prepare for future business development of the Company, new businesses shall be added to Article 2 (Purpose) of the current Articles of Incorporation and the last item in the article shall be renumbered accordingly.

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

2. Details of amendments

Details of amendments are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed amendments
Article 1. (Omitted)	Article 1. (Unchanged)
Article 2. Purpose The purpose of the Company shall be to engage in the following businesses:	Article 2. Purpose The purpose of the Company shall be to engage in the following businesses:
1. − 12. (Omitted)	1. − 12. (Unchanged)
13. Operation and leasing of commercial facilities, accommodation facilities, sports facilities, senior care facilities, recreational facilities, and others	13. Operation and leasing of commercial facilities, accommodation facilities<u>, logistics facilities, training facilities</u>, sports facilities, senior care facilities, recreational facilities, <u>restaurants,</u> and others
(Newly established)	<u>14. Operation and management of rental meeting rooms and rental spaces</u>
(Newly established)	<u>15. Power generation business using renewable energy as well as supply and sale of electricity</u>
(Newly established)	<u>16. Cultivation, processing, and distribution of fruits, vegetables, and others</u>
<u>14.</u> Any other business incidental or relating to the businesses referred to in any of the foregoing items	<u>17.</u> Any other business incidental or relating to the businesses referred to in any of the foregoing items
Articles 3. − 18. (Omitted)	Articles 3. − 18. (Unchanged)
Article 19. Number of Directors The number of directors of the Company shall be <u>ten (10)</u> or less.	Article 19. Number of Directors The number of directors of the Company shall be <u>twelve (12)</u> or less.
Articles 20. − 47. (Omitted)	Articles 20. − 47. (Unchanged)

Proposal 3: Election of Nine (9) Directors

The terms of office of all seven (7) Directors will expire at the conclusion of the Meeting. Accordingly, with an eye to future growth and the enhancement of governance, we propose the election of nine (9) Directors by increasing the number of Directors by two (2).

The candidates for Directors are as follows:

No.		Name	Current positions and areas of responsibility in the Company	Attendance at the meetings of the Board of Directors held in the fiscal year under review
1	Reappointment	Seiichiro Yamaguchi	President and CEO	24/24 (100% attendance rate)
2	Reappointment	Noboru Hirano	CFO Senior Executive Officer of Administrative Division In charge of Human Resource Department	24/24 (100% attendance rate)
3	Reappointment	Masaaki Watanabe	Director Managing Executive Officer Deputy Chief of Business Division In charge of Asset Solution Department 5	24/24 (100% attendance rate)
4	Reappointment	Hideki Nakanishi	Director Managing Executive Officer Deputy Chief of Business Division In charge of Asset Solution Department 1	24/24 (100% attendance rate)
5	New appointment	Shunsuke Yamaguchi	Executive Officer In charge of M&A・Group Strategy Department and General Affairs Department	-
6	New appointment	Hitoshi Oshima	Executive Officer In charge of Asset Solution Department 4	-
7	Reappointment Outside Independent	Kenichi Shohtoku	Outside Director	24/24 (100% attendance rate)
8	Reappointment Outside Independent	Hiroyuki Kobayashi	Outside Director	23/24 (95.8% attendance rate)
9	New appointment Outside Independent	Masao Yamanaka	-	-

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summary, positions and areas of responsibility in the Company
(Important concurrent positions outside the Company)</th><th>Number of the Company’s shares held</th></tr>
<tr><td rowspan="2">1</td><td>Reappointment

Seiichiro Yamaguchi
(Jan. 5, 1961)</td><td>Apr. 1983 Joined Mitsui Real Estate Sales Co., Ltd.
Apr. 1986 Joined Tosei-Shoji Corporation
Aug. 1990 Director of the Company
Jun. 1994 President and Representative Director of the Company (current position)
Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.)
Jul. 2004 President and CEO of the Company (current position)</td><td>12,885,500</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
After being appointed as Representative Director of the Company in 1994, Seiichiro Yamaguchi has been leading the Company and the Group and has been committed to expanding its business scale and domains, and thus is essential for the management of the Company. In addition, as Chairman of the Board of Directors, he facilitates the efficient proceedings and actively seeks opinions from Outside Directors and Audit & Supervisory Board Members, playing the most important roles in promoting governance of the Company and the Group. Considering that he will contribute to the Group’s stable growth in the future and, in turn, the common interests of its shareholders, we renominated him as a candidate for Director.</td></tr>
<tr><td rowspan="2">2</td><td>Reappointment

Noboru Hirano
(Oct. 17, 1959)</td><td>Apr. 1982 Joined Kokubu & Co., Ltd.
Apr. 1991 Joined Tosei-Shoji Corporation
May 1995 Director of Tosei-Shoji Corporation
Mar. 2001 General Manager of Finance and Accounting Department of the Company
Oct. 2002 Managing Director of the Company
Jul. 2004 Managing Executive Officer of the Company
Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co., Ltd.
Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd.
Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.)
Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company
Dec. 2007 Representative Director of Tosei Revival Investment Co., Ltd.
Jan. 2013 Director of Tosei Revival Investment Co., Ltd. (current position)
Feb. 2013 Director of Tosei Community Co., Ltd. (current position)
Feb. 2016 Director of Tosei Asset Advisors, Inc. (current position)
Apr. 2017 CFO, Senior Executive Officer of Administrative Division and in charge of Human Resource Department of the Company (current position)</td><td>150,000</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
After being appointed as Director of the Company in 2002, Noboru Hirano has been supporting Representative Director Seiichiro Yamaguchi in overall management of the Company, and is committed to growth of the Group, while being in charge of overall governance of the internal administrative division and each Group company. Considering that he is indispensable for the Group’s stable growth and improvement of the management quality in the future, we renominated him as a candidate for Director.</td></tr>
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<tr><td rowspan="2">3</td><td>Reappointment

Masaaki Watanabe
(Jan. 25, 1963)</td><td>Apr. 1986 Joined Towa Real Estate Development Co., Ltd. (the predecessor of Mitsubishi Jisho Residence Co., Ltd.)
Dec. 1990 Joined Heisei Kouhatsu Co., Ltd.
Apr. 1993 Seconded to Ohmon Club Co., Ltd.
Feb. 1998 Joined the Company
Aug. 2006 Director of Tosei Revival Investment Co., Ltd.
Mar. 2008 Executive Officer of the Company
Jun. 2015 Managing Executive Officer and Deputy Chief of Business Division of the Company
Feb. 2018 Director, Managing Executive Officer and Deputy Chief of Business Division of the Company
Dec. 2019 Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 5 of the Company (current position)</td><td>29,100</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
After joining the Company in 1998, Masaaki Watanabe has been consistently engaged in the Revitalization Business and the Rental Business of the Company, contributing to the steady increase in business earnings. After being appointed as Executive Officer in 2008, he participated in deliberations related not only to assigned businesses but also to overall management as a member of the management meeting. After being appointed as Director in 2018, he has been sincerely working on management issues of the Company and the Group. Considering that he is indispensable for the Group's business expansion and growth in the future, we renominated him as a candidate for Director.</td></tr>
<tr><td rowspan="2">4</td><td>Reappointment

Hideki Nakanishi
(Jun. 17, 1967)</td><td>Apr. 1990 Joined The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.)
Jun. 1999 Joined Gold Crest Co., Ltd.
Oct. 2001 Joined HUSER Corporation
Apr. 2006 Joined the Company
Mar. 2013 Executive Officer of the Company
Feb. 2016 Director of Tosei Revival Investment Co., Ltd. (current position)
Mar. 2017 Managing Executive Officer of the Company
Feb. 2018 Director and Managing Executive Officer of the Company
Dec. 2018 Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 1 of the Company (current position)</td><td>20,100</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
After joining the Company in 2006, Hideki Nakanishi has been consistently engaged in the Revitalization Business and the Fund and Consulting Business of the Company, contributing to the steady increase in business earnings. After being appointed as Executive Officer in 2013, he participated in deliberations related not only to assigned businesses but also to overall management as a member of the management meeting. After being appointed as Director in 2018, he has been sincerely working on management issues of the Company and the Group. Considering that he is indispensable for the Group's business expansion and growth in the future, we renominated him as a candidate for Director.</td></tr>
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<tr><td rowspan="2">5</td><td>New appointment

Shunsuke Yamaguchi
(Jul. 26, 1964)</td><td>Apr. 1988
Dec. 2001
Oct. 2006

Aug. 2007
Oct. 2007
Apr. 2008
Dec. 2012
Mar. 2013
Dec. 2017

Feb. 2018</td><td>Joined TOKYU CONSTRUCTION CO., LTD.
Joined the Company
Director in charge of Administrative Division of Fusion Partner, Inc.
Joined the Company
Director of Tosei Asset Management, Corp.
Director of Tosei Asset Advisors, Inc.
Director of NAI Tosei Japan, Inc.
Executive Officer of the Company
Executive Officer in charge of Group Strategy Department (the predecessor of M&A・Group Strategy Department) and General Affairs Department of the Company (current position)
Audit & Supervisory Board Member of Tosei Asset Advisors, Inc. (current position)</td><td>7,200</td></tr>
<tr><td colspan="4">≪Reasons for nomination as candidate for Director≫
After joining the Company in 2001, Shunsuke Yamaguchi has been consistently engaged in the operations of the general affairs and human resources. He has greatly contributed to the strengthening of compliance and internal control functions of the Company, while collaborating with outside experts and others in the processes of the listing of the Company’s stock and preparation for commencement of businesses under the Financial Instruments and Exchange Act. In addition, he has garnered multi-faceted experience by working at Tosei Asset Advisors, Inc., which engages in the real estate fund business, as well as serving as an Audit & Supervisory Board Member of the company. Considering that he is a valuable person for the enhancement of governance of the Group, we newly nominated him as a candidate for Director.</td></tr>
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<tr><td rowspan="2">6</td><td>New appointment

Hitoshi Oshima
(Nov. 19, 1964)</td><td>Apr. 1988 Joined The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.)
Jun. 2006 Joined J-REP Co. Ltd. (the predecessor of Goodman Japan Limited)
Jan. 2009 Joined NATIONAL STUDENTS INFORMATION CENTER CO., LTD.
Dec. 2011 Joined the Company
Jul. 2012 Director of Tosei Revival Investment Co., Ltd.
Mar. 2014 Managing Director of Tosei Community Co., Ltd.
Jun. 2014 Representative Director of Crystal Sports Club (the predecessor of CSC) (current position)
Dec. 2016 Director of Tosei Community Co., Ltd.
Mar. 2017 Executive Officer of the Company
Dec. 2019 Executive Officer in charge of Asset Solution Department 4 of the Company (current position)</td><td>0</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Director≫
Immediately after joining the Company in 2011, Hitoshi Oshima was seconded to Tosei Revival Investment Co., Ltd. and was engaged in M&A business. In 2013, he was seconded to Tosei Community Co., Ltd. and was deeply involved in overall management of the subsidiary, a company that engages in property management business, contributing to improvement of the management quality of the subsidiary. In addition, he assumed office of representative of Crystal Sports Club, which became a Group company through an M&A transaction, and was engaged in operation of sports gyms while closing some gyms and transferring some businesses of the subsidiary. He is well versed in various businesses of the Group. After being appointed as General Manager of Asset Solution Department 3 in 2016, he was actively involved in logistics facility projects and real estate M&A projects mainly in the Revitalization Business by leveraging his career. His contribution to the Group's operating results is extremely high. Considering that he will contribute to the interests of the Group and, in turn, the common interests of its shareholders, we newly nominated him as a candidate for Director.</td></tr>
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No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
7	Reappointment Outside Independent Kenichi Shohtoku (Jan. 20, 1971)	Oct. 1995 Joined Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Sep. 1999 Seconded to Arthur Andersen & Co., Kuala Lumpur Office Sep. 2002 Joined SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (current position) Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD. Dec. 2010 Outside Audit & Supervisory Board Member of ROKI TECHNO CO., LTD. Feb. 2012 Director of the Company (current position) Jan. 2013 Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)	0
	≪Reasons for nomination as candidate for Outside Director≫ As a certified public accountant, Kenichi Shohtoku operates an accounting consulting firm mainly in foreign countries. In order to leverage the advice that he provides based on his expertise for the Company's overseas development, we have been having him serve as Outside Director of the Company since 2012. After being appointed as Outside Director, he has provided invaluable advice on various occasions such as the Board of Directors' meetings of the Company, liaison meetings with the Audit & Supervisory Board Members of the Company, etc. and has worked energetically to enhance the governance system of the Company and the Group as well as to ensure the appropriateness of financial reporting. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group in the future, we renominated him as a candidate for Outside Director.		

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<tr><td rowspan="2">8</td><td>Reappointment
Outside
Independent

Hiroyuki Kobayashi
(Mar. 3, 1965)</td><td>Apr. 1987 Joined the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.)
Apr. 2000 Seconded to Mizuho Securities Co., Ltd.
Apr. 2003 Head of Advisory Department IV of Mizuho Securities Co., Ltd.
Jun. 2005 Joined Sophia Corporation
Apr. 2006 Vice President and Director of Sophia Corporation
Dec. 2006 Joined Mizuho Securities Co., Ltd.
Jun. 2008 Deputy Head of Corporate Planning Department of Mizuho Securities Co., Ltd.
Dec. 2011 Head of Corporate Communications Department of Mizuho Securities Co., Ltd.
Apr. 2014 Senior Corporate Officer attached to Head of Corporate Investment Services & Retail Business Division of Mizuho Securities Co., Ltd.
Apr. 2015 Head of Wealth Management Division, Retail & Business Banking Division of Mizuho Securities Co., Ltd.
Apr. 2017 President & CEO of Social Capital Management, Inc. (current position)
Feb. 2018 Director of the Company (current position)
Apr. 2018 Vice President and Director of Precious Square, Inc. (current position)
Jun. 2019 Outside Auditor of Tohto Suisan Co., Ltd. (current position)
Aug. 2019 Director of SEIWA Co., Ltd. (current position)</td><td>0</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Outside Director≫
After joining the Industrial Bank of Japan, Ltd. in 1987, Hiroyuki Kobayashi was engaged in operations at the bank and M&A advisory services during secondment to a securities company. Currently he has established a consulting firm specializing in business strategies for corporate clients, M&As and organization development, and serves as CEO. The Company appointed him as Outside Director of the Company in 2018, expecting him to make objective monitoring and proposals based on his abundant experience at the bank and the securities company as well as his expertise in organizational development affairs and M&As, in enhancing the governance of the Company which is promoting a group expansion strategy. Considering that he is indispensable for the maintenance and improvement of corporate governance structure for further expanding the Group in the future, we renominated him as a candidate for Outside Director.
≪Supplementary information on independence≫
Hiroyuki Kobayashi served as a business executor of the Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.) until March 2000. However, his independence as Outside Director has been secured, as the Company has business transactions* with many other financial institutions as well as the said bank and he is not in the position to be influenced by the bank as it has been about 20 years since he ceased to be a business executor of the bank. He satisfies the criteria for independent directors stipulated by the Tokyo Stock Exchange, the Company has notified the said Exchange of the appointment of Hiroyuki Kobayashi as independent director as stated in Note 2.
*Reference: Outstanding loans payable to the said bank as of November 30, 2019 (consolidated basis) accounted for approximately 6.0% of the Company’s total assets and approximately 10.9% of its total outstanding loans.</td></tr>
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<tr><td rowspan="2">9</td><td>New appointment
Outside
Independent

Masao Yamanaka
(Jul. 24, 1962)</td><td>Apr. 1997 Registered as attorney-at-law (Daini Tokyo Bar Association)
Jan. 2003 Established Yamanaka Law Office
Apr. 2008 Joined RENAISS Law Office (current position)
May 2012 Outside Auditor of Chiyoda Co., Ltd. (current position)
Jun. 2015 Outside Auditor of System Location Co., Ltd. (current position)
Jun. 2018 Outside Director of ACE SECURITIES CO., LTD. (current position)</td><td>0</td></tr>
<tr><td colspan="3">≪Reasons for nomination as candidate for Outside Director≫
Masao Yamanaka has provided many companies with legal advice and involved in multiple large-scale corporate bankruptcy affairs. He possesses abundant experience as an attorney-at-law and a high level of expertise on corporate legal affairs. Furthermore, serving as outside auditor of multiple listed companies, he possesses considerable expertise in governance of listed companies. Considering that he will be able to make objective monitoring and proposals as Outside Director as the Company strengthens its governance aiming for the expansion of the Group, we newly nominated him as a candidate for Outside Director. Although he has never been involved in corporate management other than as an outside director or an outside auditor, we believe that he will be able to perform his duties as Outside Director appropriately based on the aforementioned reasons.</td></tr>
</table>

(Notes) 1. Each of the candidates for Directors has no special interests in the Company.

2. Kenichi Shohtoku, Hiroyuki Kobayashi and Masao Yamanaka are candidates for Outside Directors. The Company notified the Tokyo Stock Exchange of Kenichi Shohtoku and Hiroyuki Kobayashi as independent directors pursuant to the regulations of the said Exchange, and they will continue to serve as independent directors if they are reelected as Directors. In addition, the Company intends to notify the Tokyo Stock Exchange of Masao Yamanaka as independent director pursuant to the regulations of the said Exchange if he is elected as Director.

3. Kenichi Shohtoku currently serves as Outside Director of the Company and will have served as such for eight (8) years as of the conclusion of the Meeting. In addition, Hiroyuki Kobayashi currently serves as Outside Director of the Company and will have served as such for two (2) years as of the conclusion of the Meeting.

4. As Kenichi Shohtoku and Hiroyuki Kobayashi currently serve as Outside Directors of the Company, the Company has concluded a contract for limitation of liability with them 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. The Company intends to maintain the contract with them if they are reelected as proposed. In addition, the Company intends to conclude the same contract with Masao Yamanaka if he is elected as Director.

Proposal 4: Revision of Remuneration for Directors

At the 68th Ordinary General Meeting of Shareholders held on February 27, 2018, it was approved to limit the amount of remuneration for Directors of the Company to ¥400 million per year (including ¥60 million or less for Outside Directors). In addition to this amount, at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019, it was approved to limit the amount of remuneration provided as stock options for Directors of the Company to ¥100 million per year (including ¥10 million or less for Outside Directors). However, taking various factors into consideration including the increase in the maximum number of Directors from ten (10) to twelve (12) if Proposal 2 is approved as originally proposed, as well as an actual increase in the number of Directors by two (2) subject to the approval of Proposal 3 as originally proposed, we propose that the amount of remuneration for Directors, which is limited to ¥400 million per year (including ¥60 million or less for Outside Directors), be revised to ¥500 million or less per year (including ¥80 million or less for Outside Directors), and request the approval of our shareholders for this proposal (No revision will be made to the amount of remuneration provided as stock options for Directors stated above.).

As in the past, the amount of remuneration for Directors shall not include salaries as employees for Directors concurrently serving as employees.

While the current number of Directors is seven (7), including two (2) Outside Directors, if Proposal 3 is approved as originally proposed, the number of Directors will be nine (9), including three (3) Outside Directors.

Policy on determination of remuneration, etc. for Directors is as described on page 31 of this convocation notice.

(Attachment)

Business Report

(From December 1, 2018 to November 30, 2019)

1. Current status of the Group

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

a. Business developments and results

During the fiscal year ended November 30, 2019, the Japanese economy continued on a path of moderate recovery. This moderate recovery is expected to continue, supported by improving employment and income environments as well as various policies, despite concerns over developments that include diminishing consumer sentiment brought about by prolonged trade friction between the United States and China coupled with effects of the consumption tax hike.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities from January to September 2019, increased 2% year on year to ¥3.1 trillion. The real estate market has held firm despite real estate prices having persisted at high levels due to increasing rents, amid a scenario where appetite for real estate investment among investors has remained strong (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold from January to October 2019 decreased 17.8% year on year to 21,553 units, amid a downturn in the number of units supplied due to persistently high construction costs and land acquisition difficulty. Condominium inventories carried forward at month-end stood at 7,600 units, far exceeding the 6,350 unit average for the same period of the previous fiscal year amid a scenario where the average contract rate for the first month during the same period remained below the 70% threshold from which market conditions are viewed as favorable. In the build-for-sale detached house market, housing starts from January to September 2019 numbered 47,000 units, an increase of 5.1% year on year. Favorable demand continues for detached houses amid sentiment that they are reasonably priced relative to escalating condominium prices (according to surveys by a private research institute and the Ministry of Land, Infrastructure, Transport and Tourism).

The office leasing market of Tokyo’s five business wards has been performing favorably. The average vacancy rate as of October 2019 was lowest ever at 1.63% (a decrease of 0.57% year on year). The average asking rent was ¥22,010 per tsubo (1 tsubo = 3.30 square meters) (an increase of ¥1,413 year on year), rising for the 70th consecutive month. Rents are expected to continue to rise as companies continue to experience a high level of need for increased floor space, expansion and relocation, as they look toward the prospect of securing human resources and responding to work style reform. In the Tokyo metropolitan area’s logistics facility leasing market, which has been attracting attention as a third class of assets after offices and condominiums in recent years, leasable stock in October 2019 amounted to 5.7 million tsubo (an increase of 15.6% year on year) given substantial supply in anticipation of growing demand. The vacancy rate remained at the low level of 2.6% amid a situation of tight supply relative to demand.

In the real estate fund market, the market scale continues to expand. The securitization market scale expanded to ¥38.1 trillion, which consists of ¥18.9 trillion in J-REIT assets under management in October 2019 (an increase of ¥1.1 trillion year on year), combined with ¥19.2 trillion in assets under management in private placement funds (as of June 2019) (according to a survey by a private research institute).

In the Tokyo business hotel market, guest room occupancy rates on a monthly basis from January to September 2019 generally exceeded the 80% threshold from which market conditions are viewed as favorable. The total number of hotel guests in Tokyo encompassing all types of accommodation increased by 9% year on year to 49.50 million overnight stays. As for foreign tourists visiting Japan, the proportion of overseas guests was 37% (a two percentage point increase year on year) with the total number of hotel guests from overseas having increased by 16% year on year to 18.50 million overnight stays, amid ongoing growth in numbers of visitors from Southeast Asia as well as from Europe, the United States and Australia, and despite a temporary downturn in the number due to effects of natural disasters and cooling bilateral relations between Japan and South Korea (according to a survey by the Japan Tourism Agency).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in revitalization and sales of assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with development and sales of condominiums, detached houses, commercial facilities, and logistics facilities. In addition, the Group also proceeded with the proactive acquisition of income-generating properties and land for various types of development as future sources of income.

As a result, consolidated revenue for the fiscal year under review totaled ¥60,727million (down 1.3% year on year), operating profit was ¥12,690 million (up 16.7%), profit before tax was ¥12,090 million (up 18.9%), and profit for the year was ¥8,447 million (up 23.3%).

Performance by business segment is shown below.

Reportable segment classifications have been changed effective from the fiscal year ended November 30, 2019, and in the following comparisons figures for the same period of the previous fiscal year have been recalculated according to the segment after such change.

Revitalization Business

During the fiscal year under review, the segment sold 53 properties it had renovated, including Seiseki C-kan Building (Tama-shi, Tokyo), Ryogoku Tosei Building I, II (Sumida-ku, Tokyo), T’s garden Ojima (Koto-ku, Tokyo), Century Urawa Apartment (Saitama-shi, Saitama) and Grosvenor Square Building (Yokohama-shi, Kanagawa). In addition, the segment sold 11 units in the Restyling Business, including Hilltop Yokohama Negishi.

During the fiscal year under review, it also acquired a total of 39 income-generating office buildings and apartments and four land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥31,012 million (down 10.9% year on year) and the segment profit was ¥7,754 million (up 14.5%).

Development Business

During the fiscal year under review, the segment focused on the sale of condominium and detached houses for which there was firm demand. The segment sold 163 units at THE Palms Chofu Manorgarden (Chofu-shi, Tokyo), and sold 94 detached houses at such properties as THE Palms Court Funabashi Hoten (Funabashi-shi, Chiba), THE Palms Court Mitsuike-Koen II (Yokohama-shi, Kanagawa), THE Palms Court Kamakura shiromeguri (Kamakura-shi, Kanagawa), etc. In addition, the segment sold one commercial facility, one newly-built apartment and 12 land lots.

During the fiscal year under review, it acquired three land lots for hotel projects, two land lots for logistics facility projects, two land lots for commercial facility projects, three land lots for apartment projects, one land lot for income-generating office building and land lots for 141 detached houses.

As a result, revenue in this segment was 14,346million (up 8.2% year on year) and the segment profit was ¥1,528 million (up 2.8%).

Rental Business

During the fiscal year under review, while the segment sold 39 buildings of its inventory assets held for leasing purposes, it newly acquired 28 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥5,944 million (up 0.2% year on year) and the segment profit was ¥2,367 million (down 3.5%).

Fund and Consulting Business

During the fiscal year under review, while ¥215,844 million was subtracted from the balance of assets under management mainly due to property dispositions by funds, ¥398,963 million was added to the balance of assets under management (Note) ¥663,359 million for the end of the previous fiscal year, due to new large asset management contracts. The balance of assets under management as of November 30, 2019, was ¥846,478 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥3,752 million (up 25.8% year on year) and the segment profit was ¥2,365 million (up 46.3%).

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

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 659 as of November 30, 2019, an increase of 37 from November 30, 2018 with that total comprising 415 office buildings, hotel, schools and other such properties, and 244 condominiums and apartments.

As a result, revenue in this segment was ¥4,586 million (up 14.2% year on year) and segment profit was ¥504 million (up 11.1%).

Hotel Business

As the hotel-related business has increased in significance in the Group, from the fiscal year under review, the Hotel Business has been established as a new reportable segment.

During the fiscal year under review, the Group worked towards increasing the average daily rate and occupancy rate for TOSEI HOTEL COCONE Kanda, opened in December 2017, as well as the opening of TOSEI HOTEL COCONE Ueno in December 2018 contributed to revenue.

As a result, revenue in this segment was ¥1,086 million (up 95.5% year on year) and segment profit was ¥99 million (up 175.2%).

Business segment	Revenue
Revitalization Business	¥31,012 million
Development Business	¥14,346 million
Rental Business	¥5,944 million
Fund and Consulting Business	¥3,752 million
Property Management Business	¥4,586 million
Hotel Business	¥1,086 million
Total	¥60,727 million

b. Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥436 million.

c. Status of financing

The Group raised funds of ¥41,630 million by means of non-current borrowings during the fiscal year under review.

(2) Status of operating results and assets

a. Trends in operating results and assets of the Group

	67th term (Year ended November 30, 2016)	68th term (Year ended November 30, 2017)	69th term (Year ended November 30, 2018)	**70th term (Year under review) (Year ended November 30, 2019)**
Revenue (Thousands of yen)	49,818,113	57,754,328	61,543,319	**60,727,704**
Profit before tax (Thousands of yen)	8,450,048	9,049,467	10,171,017	**12,090,095**
Profit attributable to owners of the parent (Thousands of yen)	5,547,469	6,155,169	6,852,237	**8,447,032**
Basic earnings per share (Yen)	114.89	127.48	141.36	**176.40**
Total assets (Thousands of yen)	121,276,292	122,550,281	138,768,538	**161,894,056**
Total equity (Thousands of yen)	41,010,083	46,158,867	52,021,782	**58,306,499**

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

b. Trends in operating results and assets of the Company

	67th term (Year ended November 30, 2016)	68th term (Year ended November 30, 2017)	69th term (Year ended November 30, 2018)	**70th term (Year under review) (Year ended November 30, 2019)**
Net sales (Thousands of yen)	41,965,432	45,491,580	48,061,639	**48,861,295**
Ordinary income (Thousands of yen)	7,123,434	7,218,097	6,770,624	**9,770,383**
Net income (Thousands of yen)	4,734,766	5,449,682	5,054,356	**7,273,194**
Net income per share (Yen)	98.06	112.87	104.27	**151.89**
Total assets (Thousands of yen)	114,085,085	115,196,337	127,844,930	**149,812,509**
Net assets (Thousands of yen)	38,455,373	42,889,054	46,965,634	**52,076,260**

(Notes) 1. The above table has been made under Japanese GAAP.
2. The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the 70th term, and indicators for the 69th term were adjusted retrospectively in accordance with the said accounting standard, etc.

(3) Status of significant parent company and subsidiaries

a. Status of significant subsidiaries

Name of company	Capital or investments in capital	Equity ownership [Indirect equity ownership]	Major lines of business
Tosei Community Co., Ltd.	¥99,500 thousand	100.0%	Property management business
Tosei Asset Advisors, Inc.	¥100,000 thousand	100.0	Fund and consulting business
Tosei Revival Investment Co., Ltd.	¥50,000 thousand	100.0	Real estate consulting business
Tosei Urban Home Corporation	¥100,000 thousand	100.0	Development business
Kishino Corporation	¥10,000 thousand	100.0	Revitalization business
Masuda Kenzai-ten Co., Ltd.	¥60,500 thousand	100.0	Revitalization business
Sanki-shoji Co., Ltd.	¥30,000 thousand	100.0	Revitalization business
Tosei Hotel Management Co., Ltd.	¥100,000 thousand	100.0	Hotel business
Tosei Hotel Kanda Co., Ltd.	¥10,000 thousand	[100.0]	Hotel business
Tosei Hotel Makuhari Co., Ltd.	¥10,000 thousand	[100.0]	Hotel business
Tosei Hotel Service Co., Ltd.	¥10,000 thousand	100.0	Hotel business
Tosei Chintai Hosho LLC	¥3,000 thousand	100.0	Property management business
Tosei Singapore Pte. Ltd.	S$4,000,000	100.0	Rental business
CSC	¥35,000 thousand	100.0	Other business

(Notes)
1. KS Properties Corporation has been excluded from the scope of consolidation as a result of the completion of liquidation during the fiscal year under review.
2. The Company sold all the shares in Four Big Corporation, and the said company has been excluded from the scope of consolidation.
3. As of December 13, 2018, Tosei Hotel Ueno Co. has changed its trade name to Tosei Hotel Makuhari Co., Ltd., and as of February 27, 2019, Urban Home Corporation has changed its trade name to Tosei Urban Home Corporation.

b. Results of business combinations

There were no applicable matters in the fiscal year under review.

(4) Issues to be addressed

In the Tokyo metropolitan area real estate investment market, which is the Company's main target market, a continuing favorable financing environment has been spurring active real estate transactions by the likes of J-REITs, overseas investors, and ordinary enterprises. Although property prices remain high, the real estate investment market is likely to remain vibrant going forward amid a scenario where low interest rates worldwide have heightened the appeal of income-generating properties in the Tokyo metropolitan area, such that include logistics facilities which have been encountering greater demand amid growth in e-commerce, as well as offices and condominiums which have been underpinned by firm leasing demand. On the other hand, the market for wood-frame apartments and small-scale urban investment housing has entered an adjustment phase amid a situation where sales of certain asset types are being affected by more stringent financing requirements applied to income-generating properties for individual investors. Meanwhile, in the hotel market there is cause for concern regarding excessive supply amid a situation where there has been a spate of hotel openings in respective geographic locations fueled by the likelihood of growing demand from inbound travel. As such, the Company needs to remain alert regarding signs of a deteriorating market even in the Tokyo metropolitan area where guest room occupancy rates remain at high levels. As the real estate market conditions are easily influenced by economic and financial conditions, it is necessary to keep in mind a period of change stemming from concerns over a slowdown in the global economy and monetary policy changes, and the Group recognizes that one of its important tasks is to plan and promote a management strategy in anticipation of future risks and business opportunities.

Amid this operating environment, the Group is promoting its medium-term management plan "Seamless Growth 2020" (December 2017 to November 2020) with the fiscal year ended November 30, 2018 as its first year. The major policy of the plan is "to continue growth as a Group to build a firm position as an original comprehensive real estate company." In the fiscal year ending November 30, 2020, the final year, the Company will continue implementing its growth strategy based on this plan.

In the Revitalization Business, a driver of Group earnings, the Company aims to further heighten profitability by revitalizing and creating added value with a focus on distinctive characteristics of its properties, and by actively making acquisitions of small- to medium properties offering high liquidity in the metropolitan area, as well as medium- to large properties in the over ¥2.0 billion category amid growing market demand.

In the Development Business, the Company will generate development opportunities drawing on a strategy undertaken amid a business environment where land is in short supply. This will entail undertaking highly challenging projects involving intricate relationships of rights, as well as mediation regarding the surrender of properties and alternative facilities, upon looking into options for developing various asset types such that include not only its conventional residences and offices, but also new product categories consisting of additional logistics facilities and hotels. The Company will also streamline sales and increase profit margins of detached houses and condominiums sold to end-users.

In the Stock and Fee Business, the Company's stable source of income, the Company will enhance its acquisition strategy in addressing challenges encountered by the Rental Business with respect to expanding Company-held fixed assets.

In the Fund and Consulting Business and the Property Management Business, the Company will seek to expand all segments by accumulating properties under management as well as heightening and streamlining quality control.

In fiscal 2020, Tosei Hotel & Seminar Makuhari which is undergoing substantial renovations, as well as TOSEI HOTEL COCONE Asakusa-Kuramae and TOSEI HOTEL COCONE Ueno-Okachimachi which are being developed by the Company, are scheduled to commence their operation. The Company will endeavor to spur growth of its Hotel Business and improve the Tosei brand.

<Basic policy of the medium-term management plan “Seamless Growth 2020”>

a. Further growth and increase in operating profit of the five existing business segments*1, and realization of 50:50 ratio of the gross profit of the trading business to that of the stable business

b. Establishment of new income-generating business, following the five existing business segments*1

c. Improvement of financial structure to support the business scale expansion

d. Further strengthening of risk management and Group governance aimed at realizing an efficient organizational structure that enables business scale expansion

e. Further increase in satisfaction of Group employees, strengthening of organizational strengths and improvement in productivity through fostering of human resources

f. Strengthening of the Tosei brand with a strong awareness of CSR and ESG

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

In terms of profit, the Company was one year ahead of schedule in achieving its numerical target in the final fiscal year; and therefore, the target has been revised upward. On the other hand, with regard to revenue, the Company revised its sales plan since properties are expected to be sold at higher margin than initially anticipated. This revision has been made to reflect the Company’s plan to keep holding properties without selling in the fiscal year under review and further renovate the properties, thereby increasing rental revenue during the holding period and maximizing profit from sale of the properties.

	Initial numerical targets (announced on January 10, 2018)	Revised numerical targets (announced on January 9, 2020)
Consolidated revenue for the final fiscal year	¥100 billion	¥80.3 billion
Consolidated profit before tax for the final fiscal year	¥12 billion	¥13 billion
Average profit growth rate of the three years	10% or more	Unchanged
Average ROE of the three years	12% or more	Unchanged
Expansion of the ratio of stable businesses*2	To make the ratio of the gross profit of the trading business to that of the stable business 50:50 in the final fiscal year	The ratio of the gross profits of the trading business and the stable business is expected to remain at 60:40.
Guideline for equity ratio	35%	Unchanged

*1 The five existing business segments refer to the reportable segments at the time of formulation of the medium-term management plan (December 2017), namely the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business and the Property Management Business. As the hotel-related business has increased in significance in the Group, from the fiscal year ended November 30, 2019, the Hotel Business has been established as a new reportable segment.

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

<Reasons of revision>

a. Consolidated revenue

The Company reviewed the sales plan and revised the revenue target downward, as the Revitalization Business has been selling properties with profit margin higher than anticipated at the time when the plan was drawn up and expects that properties can continue to be sold with the same level of profit margin in the fiscal year ending November 30, 2020.

b. Consolidated profit before tax

Having achieved its numerical target for profit before tax for the final fiscal year of the plan in the fiscal year ended November 30, 2019, one year ahead of schedule, the Company revised the target upward, aiming to continue to increase profit.

c. Expansion of the ratio of stable businesses

The ratio of stable businesses has increased steadily. The ratio of the trading business and the stable business was 57:43 for at the end of the previous medium-term management plan, 56:44 in the fiscal year ended November 30, 2018, and 55:45 in the fiscal year ended November 30, 2019. Although the Fund and Consulting Business as well as the Property Management Business showed strong performance during these two fiscal years, the ratio is expected to remain at 60:40 in the fiscal year ending November 30, 2020, due to delay in accumulation of Company-held fixed assets (property, plant and equipment and investment properties) in the Rental Business compared with the initial plan.

The Group's business and financial issues to be addressed preferentially are as follows:

1. Business issues

Segment	Issues to be addressed preferentially
Revitalization Business	1. Strengthen acquisitions commensurate with type and size of properties (including non-current asset properties, properties for REIT, properties for major investors, properties for individual investors, properties for companies' own use and real estate M&A)
	2. Expand value-up guidelines in response to property characteristics; and implement value-up activities aiming to improve profitability
	3. Pursue efficiency by diversifying sales channels and sales methods
	4. Develop market perspective in response to area, size, intended purpose and property characteristics; strengthen investment judgment; and nurture persons who can make investment decisions
Development Business	1. Strengthen acquisitions commensurate with type (land lots for development of income-generating properties, etc. for investors, land lots for condominium projects, land lots for detached housings, land lots for hotel projects, land lots for logistics facility projects), size and area of properties
	2. Improve profit margin of development of income-generating properties (office buildings, commercial buildings, apartments, hotel, logistics facilities, etc.)
	3. Enhance product development capabilities in the development of detached housings; shorten the period from development to sales; promote in-house production; and improve productivity of persons responsible for planning and sales
	4. Develop market perspective in response to area, size, intended purpose and property characteristics; strengthen investment judgment; nurture persons who make investment decisions; and develop area strategy (M&A of business corporations, establishment of branches, etc.) in order to increase supply volume of end-user-targeted properties (condominiums and detached housings)
Rental Business	1. Strengthen expertise in leasing (stable occupancy, early lease-up of vacancies, rent increase, etc.) which accommodates significant increase in non-current assets and increase in properties for revitalization
	2. Conduct appropriate property management (including long-term repair and reduction of management costs) for stable occupancy; and enhance efficiency of tenant management
	3. Develop and strengthen rental market perspective in response to area, size, intended purpose and property characteristics
Fund and Consulting Business	1. Increase the balance of assets under management (REIT, private placement funds, and CRE)
	2. Strengthen expertise in fund origination and execution
	3. Establish and expand direct channels with major institutional investors (including public funds); and form new funds

Segment	Issues to be addressed preferentially
Property Management Business	1. Improve appropriateness of property management, building management and condominium management which accommodate significant increase in number of properties under management and conduct efficient business operations; and reduce management costs
	2. Establish ability to respond to new facilities and buildings following offices, commercial facilities, condominiums, schools and hotels
	3. Develop and strengthen rental market perspective in response to area, size, intended purpose and property characteristics
Hotel Business	1. Enhance profitability of existing hotels (COCONE Kanda and COCONE Ueno)
	2. Open new hotels (COCONE Asakusa-Kuramae, COCONE Ueno-Okachimachi and Hotel & Seminar Makuhari) and secure stable occupancy; and acquire new properties

2. Financial issues

Segment	Issues to be addressed preferentially
Financial strategy	1. Prepare for rapid changes in the real estate market conditions and financial market ・ Secure financial soundness such as capital structure (debt-equity ratio), liquidity on hand, etc. ・ Conduct stress tests on an ongoing basis in anticipation of sudden changes in real estate prices, liquidity, interest rate, etc.
	2. Make effective use of capital and funds ・ Achieve ROE of over 12% which exceeds cost of capital through business investment ・ Implement capital allocation that considers the balance of growth investment, liquidity on hand and return of profits to shareholders
	3. Enhance funding capabilities which enable the sustainable expansion of business ・ Procure low-interest and stable funds by securing an adequate amount of funds, extending borrowing period, fixing interest rate, etc. ・ Reduce cost of capital by conducting disclosure to financial institutions and capital markets as well as promoting dialogues

(5) Major lines of business (As of November 30, 2019)

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

(6) Major business offices (As of November 30, 2019)

Name	Business office and its location
Tosei Corporation (the Company)	Head office: Minato-ku, Tokyo
Tosei Community Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Asset Advisors, Inc.	Head office: Minato-ku, Tokyo
Tosei Revival Investment Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Urban Home Corporation	Head office: Machida-shi, Tokyo
Kishino Corporation	Head office: Minato-ku, Tokyo
Masuda Kenzai-ten Co., Ltd.	Head office: Minato-ku, Tokyo
Sanki-shoji Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Management Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Kanda Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Makuhari Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Hotel Service Co., Ltd.	Head office: Minato-ku, Tokyo
Tosei Chintai Hosho LLC	Head office: Minato-ku, Tokyo
Tosei Singapore Pte. Ltd.	Head office: Singapore
CSC	Head office: Minato-ku, Tokyo

(Notes)
1. KS Properties Corporation has been excluded from the scope of consolidation as a result of the completion of its liquidation during the fiscal year under review.
2. The Company sold all the shares in Four Big Corporation during the fiscal year under review, and the said company has been excluded from the scope of consolidation.
3. As of December 13, 2018, Tosei Hotel Ueno Co. has changed its trade name to Tosei Hotel Makuhari Co., Ltd. As of February 27, 2019, Urban Home Corporation has changed its trade name to Tosei Urban Home Corporation.

(7) Status of employees (As of November 30, 2019)

a. Status of employees of the Group

Segment	Number of employees	Year-on-year change
Revitalization Business	81	3
Development Business	80	7
Rental Business	19	1
Fund and Consulting Business	71	2
Property Management Business	124	―
Hotel Business	24	13
Group-wide (common)	58	2
Total	457	26

(Notes) 1. The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 124.

2. Effective the fiscal year under review, the Group has classified the “Hotel Business” as a separate reportable segment as its quantitative importance increased. Accordingly, the change in the number of employees which was included in “Others” in the previous fiscal year has been included in the “Hotel Business.”

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
191	10	37.2 years old	5.8 years

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

(8) Major lenders (As of November 30, 2019)

Lender	Loan balance
Sumitomo Mitsui Banking Corporation	¥11,020 million
Mizuho Bank, Ltd.	¥9,764 million
Aozora Bank, Ltd.	¥6,615 million
MUFG Bank, Ltd.	¥6,007 million
Kansai Mirai Bank, Limited	¥5,654 million

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

Not applicable.

2. Current status of the Company

(1) Status of shares (As of November 30, 2019)

a. Total number of shares authorized 150,000,000 shares

b. Total number of shares issued 48,595,300 shares (incl. 1,008,805 treasury shares)

c. Number of shareholders 14,419

d. Major shareholders (Top 10)

Name of shareholder	Number of shares held	Holding ratio
Seiichiro Yamaguchi	12,885,500 shares	27.07%
Zeus Capital Limited	6,000,000 shares	12.60%
KBL EPB S.A. 107704	4,546,800 shares	9.55%
SSBTC CLIENT OMNIBUS ACCOUNT	1,920,000 shares	4.03%
GOVERNMENT OF NORWAY	1,259,300 shares	2.64%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,254,400 shares	2.63%
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT	1,020,900 shares	2.14%
Japan Trustee Services Bank, Ltd. (Trust Account)	985,900 shares	2.07%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	730,400 shares	1.53%
GOLDMAN, SACHS & CO. REG	569,813 shares	1.19%

(Note) The holding ratio has been calculated by deducting the treasury shares (1,008,805 shares) and rounding it down to the second decimal place.

e. Other important matters regarding shares

At the Board of Directors' meeting held on February 5, 2019, the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of this act, and repurchased the shares as follows.

Class of shares repurchased	Ordinary shares
Total number of shares repurchased	1,008,700 shares
Total value of shares repurchased	¥999,909,000
Period for repurchase	From February 7, 2019 to April 23, 2019
Method of repurchase	Discretionary investment by a securities company

(2) Status of stock acquisition rights, etc.

a. Status of stock acquisition rights delivered to and held by officers as consideration for execution of duties (As of November 30, 2019)

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

- Number of stock acquisition rights

  290 units

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

  29,000 ordinary shares (100 shares per stock acquisition right)

- Amount to be paid in for stock acquisition rights

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

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

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

- Period during which stock acquisition rights may be exercised

  From January 10, 2018 to October 28, 2020

- Terms and conditions for exercising stock acquisition rights

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

  ii. Inheritance of stock acquisition rights shall not be permitted.

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

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

	Number of stock acquisition rights	Class and number of shares delivered upon exercise of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	270 units	27,000 ordinary shares	3
Outside Directors	20 units	2,000 ordinary shares	1

(Note) The number of stock acquisition rights stated in “Directors (excluding Outside Directors)” above includes stock acquisition rights delivered to the Directors (excluding Outside Directors) when they were employees.

ii) Stock acquisition rights by resolution of the Board of Directors held on April 25, 2019 (Sixth Series of Stock Acquisition Rights)

- Number of stock acquisition rights

  895 units

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

  89,500 ordinary shares (100 shares per stock acquisition right)

- Amount to be paid in for stock acquisition rights

  ¥11,400 per stock acquisition right (¥114 per share)

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

  ¥100,600 per stock acquisition right (¥1,006 per share)

- Period during which stock acquisition rights may be exercised

  From May 1, 2021 to April 25, 2024

- Terms and conditions for exercising stock acquisition rights

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

  ii. Inheritance of stock acquisition rights shall not be permitted.

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

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

	Number of stock acquisition rights	Class and number of shares delivered upon exercise of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	855 units	85,500 ordinary shares	5
Outside Directors	40 units	4,000 ordinary shares	2

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

Stock acquisition rights by resolution of the Board of Directors held on April 25, 2019 (Sixth Series of Stock Acquisition Rights)

- Number of stock acquisition rights

  6,355 units

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

  635,500 ordinary shares (100 shares per stock acquisition right)

- Amount to be paid in for stock acquisition rights

  Payment of money shall not be required.

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

  ¥100,600 per stock acquisition right (¥1,006 per share)

- Period during which stock acquisition rights may be exercised

  From May 1, 2021 to April 25, 2024

- Terms and conditions for exercising stock acquisition rights

i. Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director or Audit & Supervisory Board Member of the Company or a subsidiary of the Company due to retirement at the expiration of the period in office, or who no longer have the rank of Executive Officer or employee of the Company or a subsidiary of the Company due to retirement at mandatory age. In addition, this shall not apply in the event that persons with the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company lose such a rank based on justifiable grounds.

ii. Inheritance of stock acquisition rights shall not be permitted.

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

• Status of stock acquisition rights delivered to employees, etc. of the Company

	Number of stock acquisition rights	Number of shares delivered upon exercise of stock acquisition rights	Number of employees, etc. to whom stock acquisition rights were delivered
Executive Officers of the Company	460 units	46,000 ordinary shares	5
Employees of the Company	5,575 units	557,500 ordinary shares	264
Directors of a subsidiary of the Company	320 units	32,000 ordinary shares	4

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

Not applicable.

(3) Status of officers of the Company

a. Status of Directors and Audit & Supervisory Board Members (As of November 30, 2019)

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and CEO	Seiichiro Yamaguchi	President and CEO
Director	Katsuhito Kosuge	COO and Senior Executive Officer of Business Division In charge of Asset Solutions Business Promotion Department
Director	Noboru Hirano	CFO and Senior Executive Officer of Administrative Division In charge of Human Resource Department Director of Tosei Revival Investment Co., Ltd. Director of Tosei Community Co., Ltd. Director of Tosei Asset Advisors, Inc.
Director	Masaaki Watanabe	Managing Executive Officer and Deputy Chief of Business Division In charge of Asset Solution Department 4 and Asset Solution Department 5
Director	Hideki Nakanishi	Managing Executive Officer and Deputy Chief of Business Division In charge of Asset Solution Department 1 Director of Tosei Revival Investment Co., Ltd.
Director	Kenichi Shohtoku	Representative Director of SCS Global Consulting (S) Pte Ltd. Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD.
Director	Hiroyuki Kobayashi	CEO of Social Capital Management, Inc. Vice President and Director of Precious Square, Inc. Outside Auditor of Tohto Suisan Co., Ltd. Director of SEIWA Co., Ltd.
Audit & Supervisory Board Member (full-time)	Yutaka Kitamura	
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	
Audit & Supervisory Board Member	Tatsuki Nagano	Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. Outside Director of System Location Co., Ltd.
Audit & Supervisory Board Member	Osamu Doi	

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

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

Name	Date of retirement	Reason for retirement	Position, areas of responsibility in the Company and important concurrent positions outside the Company at the time of retirement
Hiroshi Nishinakama	February 27, 2019	Expiration of the term of office	Audit & Supervisory Board Member (full-time)

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

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

Category	Number of payees	Amount paid
Directors	7	¥238,100 thousand
Audit & Supervisory Board Members	5	¥30,540 thousand
Total [Of the above, Outside Directors and Outside Audit & Supervisory Board Members]	12 [7]	¥268,640 thousand [¥43,861 thousand]

(Notes) 1. Maximum total amount of Directors' remuneration is set at ¥400 million (including a maximum of ¥60 million of Outside Directors' remuneration; excluding employee salaries) per year as determined at the 68th Ordinary General Meeting of Shareholders held on February 27, 2018.

In addition to this, Directors' remuneration as stock options within the range of ¥100 million per year (including ¥10 million or less for Outside Directors) was approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019.

2. Maximum total amount of Audit & Supervisory Board Members' remuneration is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004.

3. The amounts paid above include the following:

- The amount of the remuneration provided as stock options: ¥2,720 thousand (¥2,720 thousand for seven Directors (including ¥121 thousand for two Outside Directors))

d. Policy on determination of remuneration, etc. for Directors and Audit & Supervisory Board Members

i) Remuneration for Directors

With regard to remuneration for Directors, maximum total amount of monetary remuneration and maximum total amount of remuneration as stock options are determined by resolutions of the General Meeting of Shareholders. Remuneration for full-time Directors consists of "fixed remuneration" based on the ratio depending on the position set in accordance with job responsibilities, "performance evaluation-based remuneration" in accordance with each full-time Director's achievement level of targets of business performance, etc., monetary remuneration as "Directors' bonuses" linked to consolidated profit before tax, and "stock options" with the aim of further incentivizing Directors to contribute to the medium- to long-term improvement in corporate value. Remuneration for Outside Directors consists of "fixed remuneration" and "stock options."

Allocation of remuneration to each Director is determined by resolution of the Board of Directors after deliberation in the Nominating and Compensation Advisory Committee, based on an original proposal prepared by the Representative Director.

ii) Remuneration for Audit & Supervisory Board Members

With regard to remuneration for Audit & Supervisory Board Members, maximum total amount of monetary remuneration is determined by resolution of the General Meeting of Shareholders. Allocation of remuneration to each Audit & Supervisory Board Member is determined based on consultation among Audit & Supervisory Board Members.

e. Matters regarding outside officers

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

- Director Kenichi Shohtoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. There are no special relationships between the Company and each of the above companies.
- Director Hiroyuki Kobayashi serves concurrently as President and CEO of Social Capital Management, Inc., as well as serving as Vice President and Director of Precious Square, Inc., Outside Auditor of Tohto Suisan Co., Ltd., and Director of SEIWA Co., Ltd. There are no special relationships between the Company and each of the above companies.
- Audit & Supervisory Board Member Tatsuki Nagano serves concurrently as Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. He is also Outside Director of System Location Co., Ltd. There are no special relationships between the Company and each of the above companies.

2) Main activities during the fiscal year under review

	Main activities
Kenichi Shohtoku, Director	Kenichi Shohtoku attended all 24 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as an accounting expert based on his wide-ranging experience and expertise as a certified public accountant, including overseas service.
Hiroyuki Kobayashi, Director	Hiroyuki Kobayashi attended 23 of the 24 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his external objective perspective based on his abundant experience at major financial institutions, specialist knowledge and his high level of insight based on the above.
Yutaka Kitamura Audit & Supervisory Board Member	Yutaka Kitamura attended all 24 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment at a major financial institution as well as specialist knowledge.
Hitoshi Yagi Audit & Supervisory Board Member	Hitoshi Yagi attended all 18 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board held after he was appointed on February 27, 2019. He made necessary comments as appropriate mainly from the standpoint of risk management at meetings of the Audit & Supervisory Board and Board of Directors based on the abundant experience and specialist knowledge that he gained at audit divisions of major financial institutions.
Tatsuki Nagano, Audit & Supervisory Board Member	Tatsuki Nagano attended 20 of the 24 meetings of the Board of Directors and 15 of the 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his wide-ranging experience and specialist knowledge.
Osamu Doi, Audit & Supervisory Board Member	Osamu Doi attended 20 of the 24 meetings of the Board of Directors and 15 of the 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

f. Outline of content of limited liability agreement

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

(4) Status of Accounting Auditor

a. Name Shinsoh Audit Corporation

b. Amount of remuneration, etc.

Category	Amount paid
Amount of remuneration, etc. to be paid during the fiscal year under review	¥37,500 thousand
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥44,500 thousand

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

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

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

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

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

(5) Systems to ensure properness of operations

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

a. Basic policies for compliance with laws and regulations

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

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

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

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

b. Basic policies for storing and managing information

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

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

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

c. Basic policies for management of risk of loss

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

(ii) Enhance monitoring of risk management.

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

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

d. Basic policies for efficient execution of duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal control system of the Group implemented and operated as of the end of the fiscal year (November 30, 2019) is as follows.

*Major meetings cited in the text

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

a. Compliance with laws and regulations, etc.

i) Ensure awareness regarding compliance with laws and regulations

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

During the fiscal year under review, we had legal advisors offer a training course (for officers and employees) on basics of compliance and the Financial Instruments and Exchange Act.

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

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

As well as monitoring and supervising by two Outside Directors and four Audit & Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors (held once during the fiscal year under review), and between Audit & Supervisory Board Members and legal advisors (held three times during the fiscal year under review), so as to check for any signs of breaches of laws and regulations by the Directors responsible for executing business. Moreover, full-time Audit & Supervisory Board Members conduct business audits on the Company's businesses, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented. Meanwhile, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members.

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

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

iv) Eliminate any association with anti-social forces

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

b. Storing and managing information

i) Ensure awareness regarding the importance of storing and managing information

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

ii) Enhance the initiatives for preventing the leakage of important information

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

During the fiscal year under review, we started research on utilization of IT as a means of promoting paperless for the purpose of deterring information leakage which may be caused by lack of thorough management of printed information.

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

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

c. Management of risk of loss

i) Ensure thorough understanding, analysis and assessment of risks

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

Regarding the Hotel Business in which we officially opened hotels in the previous fiscal year, we have identified 10 significant risks including emergency accidents and fires, set up a manual including business execution procedures to follow in the event of an accident, and implemented drills and trainings regularly at each hotel.

ii) Enhance monitoring of risk management

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

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

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

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

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

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

d. Efficient execution of duties by Directors

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

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

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

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

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

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

We have been implementing organizational changes and other modifications in order to execute business appropriately and efficiently. This is in response to changes in the content of the businesses, the increase in the number of employees associated with the expansion of business including new businesses, and the increase in the number of Group companies, etc. In preparation for the new fiscal year, we will reorganize the structure of the Asset Solution Departments in order to strengthen organizational responsiveness of the Development Business segment in which products are increasingly diversifying recently, such as hotels and logistics facility. Also, at the Administrative Division, for the purpose of achieving optimum allocation of human resources, we reviewed organizational functions and changed segregation of duties.

e. Properness of operations of entire Group

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

Through various trainings, etc. conducted by the Company and each Group company, we are striving for a full penetration of the understanding of the Group's philosophy and improvement of compliance awareness. In addition, we share information on compliance through implementation of the risk management and compliance program, established by the Company and each Group company, and attendance of responsible personnel of each Group company to meetings of the Company's Risk Management and Compliance Committee. Furthermore, the Company's in-house booklets about compliance with laws and regulations, called the Compliance Mind, are distributed to the Group companies to keep them informed of the importance of compliance. Also, we conduct the compliance and corporate philosophy questionnaire every fiscal year for all officers and employees in the Group, identify issues of each Group company, and consider responses to such issues.

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

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

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

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

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

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

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

With regard to important matters in the management and latent risks of each Group company, reports are made each month at meetings of the Board of Directors and the Risk Management and Compliance Committee of the Company. Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management and Compliance

Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Basic policy regarding the control of the Company

a. Details of the basic policy

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

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

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

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

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

b. Measures to realize the basic policy

1) Special measures to realize the basic policy

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

In the medium-term management plan called "Seamless Growth 2020" (the targeted period of the plan is three years from December 2017 to November 2020), which kicked off in the fiscal year ended November 30, 2018, the major policy is "to continue growth as a Group to build a firm position as an original comprehensive real estate company." The Revitalization Business will revitalize and create added value for existing properties and aim to expand operations through initiatives such as product line expansion and diversification of sales methods. With regard to the acquisition of properties, the Company will actively increase the number of small- to medium-size and high liquid property in the metropolitan area and acquire over ¥2.0 billion of medium- to large-size and profitable property, while paying attention to the portfolio. The Development Business will promote the development and sales of detached houses and condominiums that are in steady demand, as well as active development of properties such as logistics facility and hotels after assessing location demand. On the other hand, the Stock and Fee Business, the Company's stable source of income, aims to expand all segments. The Rental Business will strive to expand Company-held fixed assets; the Fund and Consulting Business will accumulate the balance of assets under management; and the Property Management Business will increase properties under management.

Moreover, as an initiative to establish new income-generating businesses, the Hotel Business segment has been newly established from the fiscal year ended November 30, 2019. In addition to the operation and rental of the existing properties, the Company is currently advancing the development of own brand hotel at three locations following TOSEI HOTEL COCONE Kanda, opened in December 2017, and TOSEI HOTEL COCONE Ueno, opened in December 2018, and will continue to work toward the growth of hotel business and enhancement of Tosei brand.

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

The Company renewed the "Plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense plan)" with the approval at the 68th Ordinary General Meeting of Shareholders held on February 27, 2018 (the renewed takeover defense plan is to be referred to as the "Plan").

(i) Purpose of the Plan

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

(ii) Targeted acquisitions

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

(iii) Submission of Acquirer's Statement

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

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

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

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

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

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

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

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

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

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

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

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

(v) Independent Committee Consideration

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

Company and the common interests of its shareholders, the Independent Committee will directly or indirectly discuss and negotiate with the Acquirer.

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

(vi) Resolutions by the Board of Directors

The Board of Directors will pass a resolution relating to the implementation or non-implementation of a gratis allotment of stock acquisition rights respecting the recommendation of the Independent Committee described above to the maximum extent. If a meeting of shareholders is convened in accordance with (vii) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

(vii) Convocation of the Shareholders Meeting

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

(viii) Information disclosure

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

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

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

<u>Trigger Event (1)</u>

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

<u>Trigger Event (2)</u>

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

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

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

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

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

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

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

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

(x) Outline of the stock acquisition rights

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

(xi) Effective period of the Plan

The effective period of the Plan expires at the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the 68th Ordinary General Meeting of Shareholders. However, if, before the expiration of the Effective Period, the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

(xii) Impact on shareholders

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

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

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

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

<Consolidated Financial Statements>

Consolidated Statement of Financial Position

(As of November 30, 2019)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**109,333,622**	**Current liabilities**	**25,054,225**
Cash and cash equivalents	31,998,929	Trade and other payables	6,448,300
Trade and other receivables	3,747,782	Borrowings	16,291,247
Inventories	73,573,663	Current income tax liabilities	1,658,894
Other current assets	13,247	Provisions	655,782
Non-current assets	**52,560,434**	**Non-current liabilities**	**78,533,331**
Property, plant and equipment	8,671,827	Trade and other payables	3,761,836
Investment properties	37,868,133	Borrowings	73,552,021
Intangible assets	87,760	Retirement benefits obligations	521,213
Trade and other receivables	1,102,277	Deferred tax liabilities	691,288
Other financial assets	4,252,691	Provisions	6,971
Deferred tax assets	573,729	**Total liabilities**	**103,587,557**
Other non-current assets	4,014	**Equity**	
		Equity attributable to owners of the parent	**58,306,499**
		Share capital	6,579,844
		Capital reserves	6,575,240
		Retained earnings	45,839,423
		Treasury shares	(1,000,037)
		Other components of equity	312,028
		Total equity	**58,306,499**
Total assets	**161,894,056**	**Total liabilities and equity**	**161,894,056**

Consolidated Statement of Comprehensive Income

(From December 1, 2018 to November 30, 2019)

(¥ thousand)

Item	Amount
Revenue	**60,727,704**
Cost of revenue	**39,886,774**
Gross profit	**20,840,930**
Selling, general and administrative expenses	8,203,399
Other income	64,335
Other expenses	10,907
Operating profit	**12,690,958**
Finance income	154,466
Finance costs	755,329
Profit before tax	**12,090,095**
Income tax expense	3,643,062
Profit for the year	**8,447,032**
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Net change in financial assets measured at fair values through other comprehensive income	242,805
Remeasurements of defined benefit pension plans	5,423
Total items that will not be reclassified to net profit or loss	248,228
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	(7,352)
Net change in fair values of cash flow hedges	(2,961)
Total items that may be reclassified to net profit or loss	(10,313)
Other comprehensive income for the year, net of tax	**237,914**
Total comprehensive income for the year	**8,684,946**
Profit attributable to:	
Owners of the parent	8,447,032
Total comprehensive income attributable to:	
Owners of the parent	8,684,946

Consolidated Statement of Changes in Equity

(From December 1, 2018 to November 30, 2019)

(¥ thousand)

	Equity attributable to owners of the parent					
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity
Balance as of December 1, 2018	6,554,139	6,544,924	38,843,309	(128)	79,537	52,021,782
Comprehensive income for the year						
Profit for the year			8,447,032			8,447,032
Other comprehensive income					237,914	237,914
Total comprehensive income for the year	–	–	8,447,032	–	237,914	8,684,946
Amount of transactions with owners						
Issuance of new shares	25,704	14,506				40,210
Purchase of treasury shares		(2,711)		(999,909)		(1,002,620)
Dividends from surplus			(1,456,340)			(1,456,340)
Share-based payment		18,521				18,521
Transfer from other components of equity to retained earnings			5,423		(5,423)	–
Total amount of transactions with owners	25,704	30,315	(1,450,917)	(999,909)	(5,423)	(2,400,229)
Balance as of November 30, 2019	6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499

Notes to Consolidated Financial Statements

1. Significant matters in preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

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

(2) Scope of consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 14
- Names of consolidated subsidiaries: Tosei Community Co., Ltd.
  Tosei Asset Advisors, Inc.
  Tosei Revival Investment Co., Ltd.
  Tosei Urban Home Corporation
  Kishino Corporation
  Masuda Kenzai-ten Co., Ltd.
  Sanki-shoji Co., Ltd.
  Tosei Hotel Management Co., Ltd
  Tosei Hotel Kanda Co., Ltd.
  Tosei Hotel Makuhari Co., Ltd.
  Tosei Hotel Service Co., Ltd.
  Tosei Chintai Hosho LLC
  Tosei Singapore Pte. Ltd.
  CSC

(Note) As of December 13, 2018, Tosei Hotel Ueno Co. has changed its trade name to Tosei Hotel Makuhari Co., Ltd., and as of February 27, 2019, Urban Home Corporation has changed its trade name to Tosei Urban Home Corporation.

2) Change in scope of consolidation

KS Properties Corporation has been excluded from the scope of consolidation as a result of the completion of liquidation during the fiscal year under review. Furthermore, the Company sold all the shares in Four Big Corporation, and the said company has been excluded from the scope of consolidation.

(3) Application of equity method

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

(4) Accounting policies

1) Financial instruments

(i) Valuation basis and methods for financial assets

The Group classifies investments in financial assets in three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. This classification is made according to the nature of assets and for what purpose the assets were acquired. The classification of investments is determined on initial recognition, and whether the classification is appropriate is reassessed at each reporting date.

Classification of financial assets

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost, if both of the following conditions are met:

- The asset is held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(b) Financial assets measured at fair value through other comprehensive income (debt financial assets)

Financial assets are classified as financial assets measured at fair value through other comprehensive income, if both of the following conditions are met:

- The asset is held based on a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the assets are measured at fair value and subsequent changes are recognized in other comprehensive income. As of the end of the fiscal year under review, no financial assets measured at fair value through other comprehensive income (debt financial assets) were held by the Group.

(c) Financial assets measured at fair value through other comprehensive income (equity financial assets)

Equity financial assets are classified as financial assets measured at fair value through other comprehensive income, with the exception of some assets.

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

(d) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Recognition and subsequent measurement

Purchase and sale of a financial asset are recognized at the transaction date, which is the date on which the Group commits itself to purchase or sell the asset. A financial asset is derecognized when the rights to receive cash flows from the asset are extinguished or transferred, and the Group has substantially transferred all the risks and economic value incidental to ownership of the asset. Financial instruments are initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

Impairment

The Group assesses financial assets or financial asset groups on a quarterly basis on whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized. Of financial assets measured at amortized cost, objective evidences for impairment of trade and other receivables are debtors’ financial difficulties, possibility of bankruptcy, or impossibility or significant delays of payments. Book values of such assets are written down using allowance based on the amount of impairment loss calculated as the difference between the present value of estimated future cash flows discounted at the initial effective interest rate and the book value. If the asset becomes unrecoverable, the amount of impairment loss is directly reduced from the book value of the financial asset.

Reversal of an amount previously amortized is recognized in the profit or loss item in which impairment loss is accounted for. If such amount can be objectively measured because the amount of impairment loss has decreased resulting from an increase in the present value of estimated future cash flows discounted at the initial effective interest rate, the amount of decrease in the allowance is recognized in profit or loss in subsequent accounting periods. The book value of assets previously impaired are increased within the scope of amount not exceeding the amortized cost that are assumed in case of non-impairment.

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

(ii) Valuation basis and methods for financial liabilities

The Group recognizes a financial liability at the transaction date on which the Group becomes a party to the contract of the financial instrument.

The Group derecognizes a financial liability when it is extinguished, that is, when the contractual obligation is either discharged, cancelled, or expires.

Furthermore, the Group initially recognizes a financial liability at fair value and subsequently measures at amortized cost based on the effective interest method.

2) Valuation basis and methods for inventories

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

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

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

3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

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

Property, plant and equipment are measured at the carrying amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, and costs of dismantling and removing the assets and restoring the site on which they are located, and borrowing costs directly attributable to acquisition, construction or production of qualifying assets.

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

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

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

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

(ii) Investment properties

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

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

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

Buildings and structures	3 to 50 years
Tools, fixtures and fittings	3 to 10 years

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

(iii) Intangible assets

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

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

• Software

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

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

(iv) Leased assets

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

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

4) Recognition of significant provisions

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

5) Employment benefits

(i) Defined benefit pension plans

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

(ii) Defined contribution pension plans

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

(iii) Short-term employee benefits

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

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

6) Revenue

(i) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the five-step approach shown below.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's major businesses are "Revitalization Business," "Development Business," "Rental Business," "Fund and Consulting Business," "Property Management Business" and "Hotel Business." Revenue generated from these businesses is recorded in accordance with contracts with customers, and recorded at the fair value of the consideration received for the sale of properties and services or receivables net of discounts, rebates and consumption taxes, etc., less internal sales. Revenue is recognized as follows. If consideration is received from a customer before satisfying the performance obligations, it is recognized as a contract liability.

• Sale of properties

With regard to sale of properties, the Group is obliged to transfer a property to a customer based on a property sale and purchase contract with the customer. Such performance obligation is satisfied at a point in time when the property is transferred, and revenue is recognized when the property is transferred.

• Rendering of services

With regard to the rendering of services, revenue is recognized according to the stage of provision of services or when provision of services is finished, and the point at which a performance obligation is satisfied is determined in accordance with the content of a contract with a customer.

(ii) Operating lease of rental properties

Revenue associated with operating lease is recognized on a straight-line basis over the lease period.

(iii) Interest income

Interest income is recognized using the effective interest method.

(iv) Dividend income

Dividend income is recognized when the right to receive dividend is vested.

7) Significant hedge accounting method

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

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

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

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

8) Foreign currency translation methods

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

9) Other significant matters for preparing consolidated financial statements

Accounting for consumption taxes

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

(5) Changes in accounting policies

The Group applied the following standards effective from the fiscal year under review.

Standard	Name of standard	Overview of new establishment and amendment
IFRS 9	Financial Instruments	Replacement of IAS 39 with IFRS 9 regarding classification, measurement and impairment of financial assets, classification and measurement of financial liabilities, and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Accounting for and disclosure of revenue recognition for contracts with customers
IAS 40	Investment properties	Clarification of requirements for transfers to, or from, investment properties

The above standards have no material impact on the consolidated financial statements.

1) IFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

Regarding financial instruments, the Group classified as “Financial instruments measured at amortized cost,” “Financial instruments measured at fair value through other comprehensive income” and “Financial instruments measured at fair value through profit or loss.”

Equity financial assets previously classified as “Available-for-sale financial assets” are now classified into “Financial assets measured at fair value through other comprehensive income” and “Financial assets measured at fair value through profit or loss.”

(ii) Impairment loss of financial assets

The method of recognizing impairment on financial assets measured at amortized cost has been changed to recognize a loss allowance for expected credit losses on these assets.

(iii) Adjustment from IAS 39 to classification according to IFRS 9

(a) Changes in carrying amount to financial assets measured at amortized cost

(¥ thousand)

	IAS 39 Book value As of Dec. 1, 2018	Changes in classification	remeasurement	IFRS 9 Book value As of Dec. 1, 2018
Loans receivables and other receivables				
Cash and cash equivalents	26,520,569	(26,520,569)	－	－
Trade and other receivables	2,751,391	(2,751,391)	－	－
Total	29,271,960	(29,271,960)	－	－
Financial assets measured at amortized cost				
Cash and cash equivalents	－	26,520,569	－	26,520,569
Trade and other receivables	－	2,751,391	－	2,751,391
Total	－	29,271,960	－	29,271,960
Total of changes in carrying amount to financial assets measured at amortized cost	29,271,960	－	－	29,271,960

(b) Changes in carrying amount to financial liabilities measured at amortized cost

(¥ thousand)

	IAS 39 Book value As of Dec. 1, 2018	Changes in classification	remeasurement	IFRS 9 Book value As of Dec. 1, 2018
Financial liabilities measured at amortized cost				
Trade and other payables	6,138,677	－	－	6,138,677
Borrowings	75,025,247	－	－	75,025,247
Total	81,163,925	－	－	81,163,925

(c) Changes in the carrying amount of financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss

(¥ thousand)

	IAS 39 Book value As of Dec. 1, 2018	Changes in classification	remeasurement	IFRS 9 Book value As of Dec. 1, 2018
Available-for-sale financial assets				
Available-for-sale financial assets	2,244,831	(2,244,831)	－	－
Total	2,244,831	(2,244,831)	－	－
Financial assets measured at fair value through other comprehensive income				
Other financial assets	－	1,828,163	－	1,828,163
Financial assets measured at fair value through profit or loss				
Other financial assets	－	416,667	－	416,667
Total	－	2,244,831	－	2,244,831
Total of Changes in the carrying amount of financial assets measured at fair value	2,244,831	－	－	2,244,831

2) IFRS 15 Revenue from Contracts with Customers

With the application of IFRS 15, revenue from contracts with customers is recognized based on the five-step approach shown below. In applying IFRS 15, the Group applies the transition provisions and recognizes the cumulative effect of the standard at the date of initial application.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

2. Notes to consolidated statement of financial position

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Inventories	69,803,910
Property, plant and equipment	8,475,298
Investment properties	28,266,898
Total	106,546,107
Amount of securitized obligation	
Borrowings	89,614,307
Total	89,614,307

(2) Allowance for credit losses deducted directly from assets ¥25,878 thousand

(3) Accumulated depreciation on assets

	(¥ thousand)
Property, plant and equipment	803,372
Investment properties	2,411,130

(4) Change in holding purpose of assets

Leasehold property of ¥139,539 thousand previously held as investment properties was transferred to inventories due to the change in business policy.

Leasehold property of ¥4,549,740 thousand previously held as inventories was transferred to investment properties due to the change in business policy.

3. Notes to consolidated statement of changes in equity

(1) Class and total number of shares issued

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	48,544,800	50,500	–	48,595,300

(Note) The increase in the number of shares issued is due to the exercise of stock options.

(2) Class and total number of treasury shares

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	105	1,008,700	–	1,008,805

(Note) The increase in the number of treasury shares is due to the acquisition pursuant to the Articles of Incorporation of the Company in accordance with the provision of Article 165, paragraph 2, of the Companies Act.

(3) Dividends from surplus

1) Cash dividends paid, etc.

Matters regarding dividends based on the resolution of the 69th Ordinary General Meeting of Shareholders held on February 27, 2019

- Total dividends ¥1,456,340 thousand
- Dividends per share ¥30
- Record date November 30, 2018
- Effective date February 28, 2019

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

A proposal will be submitted as follows at the 70th Ordinary General Meeting of Shareholders to be held on February 26, 2020.

• Total dividends	¥1,998,632 thousand
• Dividends per share	¥42
• Dividend resources	Retained earnings
• Record date	November 30, 2019
• Effective date	February 27, 2020

(4) Number of shares delivered upon exercise of stock acquisition rights as of the fiscal year-end

919,700 ordinary shares (76,200 shares) of the Company

(Note) The number of treasury share acquisition rights is stated in parentheses.

4. Notes on financial instruments

(1) Status of financial instruments

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

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

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

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

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

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

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

(2) Fair values of financial instruments

The carrying amounts in consolidated statement of financial position and the fair values, and differences thereof as of November 30, 2019 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
Financial assets			
Financial assets measured at amortized cost			
(1) Cash and cash equivalents	31,998,929	31,998,929	—
(2) Trade and other receivables	4,850,060	4,850,060	—
Financial assets measured at fair value through other comprehensive income			
(3) Other financial assets	3,831,590	3,831,590	—
Financial assets measured at fair value through profit or loss			
(4) Other financial assets	421,101	421,101	—
Financial liabilities			
Financial liabilities measured at amortized cost			
(5) Trade and other payables	10,210,136	10,210,136	—
(6) Borrowings	89,843,269	89,851,347	8,077

Method for measuring fair value of financial instruments

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

The book values of these financial instruments that are settled in a short period of time approximate the fair values. However, the fair values of interest rate swaps are based on market values presented by financial institutions.

2) Other financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group determines fair values using certain valuation techniques including the use of recent arm’s length transactions, reference to other instruments that are substantially the same, and the discounted cash flow method.

3) Non-current borrowings

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

5. Notes on investment properties

(1) Status of investment properties

The Company and certain consolidated subsidiaries own rental office and condominium buildings mainly in Tokyo to earn rental revenue.

(2) Fair value of investment properties

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

(¥ thousand)

	Carrying amount in consolidated statement of financial position			Fair value at end of the fiscal year
	Balance at beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at end of the fiscal year	
Investment properties	33,752,847	4,115,285	37,868,133	63,338,068

(Notes) 1. The carrying amount in consolidated statement of financial position shown above indicates cost less any accumulated depreciation and accumulated impairment losses.
2. The fair value as of November 30, 2019 was internally calculated in accordance with the Real Estate Appraisal Standards.

6. Per share information

(1) Equity attributable to owners of the parent per share ¥1,225.27

(2) Basic earnings per share ¥176.40

7. Significant subsequent events

Not applicable.

8. Other

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

<Non-consolidated Financial Statements>

Non-Consolidated Balance Sheet

(As of November 30, 2019)

(¥ thousand)

Assets		Liabilities	
Item	**Amount**	**Item**	**Amount**
Current assets	**97,367,313**	**Current liabilities**	**21,865,706**
Cash and deposits	25,270,442	Accounts payable-trade	837,386
Accounts receivable-trade	145,048	Short-term loans payable	1,978,000
Real estate for sale	43,201,715	Current portion of long-term loans payable	13,832,430
Real estate for sale in process	27,147,207		
Supplies	6,774	Lease obligations	3,629
Short-term loans receivable from subsidiaries and affiliates	55,000	Accounts payable-other	534,705
		Accrued expenses	93,241
Accounts receivable-other	419,524	Income taxes payable	889,324
Advance payments-trade	227,625	Accrued consumption taxes	496,376
Prepaid expenses	348,259	Advances received	2,609,597
Other	546,144	Deposits received	274,126
Allowance for credit losses	(428)	Provision for bonuses	316,888
Non-current assets	**52,445,195**	**Non-current liabilities**	**75,870,542**
Property, plant and equipment	**41,851,316**	Long-term loans payable	71,442,365
Buildings	15,895,418	Guarantee deposits	3,309,553
Structures	33,463	Lease obligations	3,224
Machinery and equipment	20,541	Asset retirement obligations	6,971
Vehicles	8,089	Provision for retirement benefits	391,525
Tools, furniture and fixtures	31,679	Long-term accounts payable-other for directors	348,641
Land	25,682,668		
Lease assets	6,345	Derivative liabilities	9,048
Construction in progress	173,110	Deferred tax liabilities	359,212
Intangible assets	**66,531**		
Software	19,537	**Total liabilities**	**97,736,249**
Software in progress	45,105	**Net assets**	
Telephone subscription right	1,889	**Shareholders' equity**	**51,726,298**
Investments and other assets	**10,527,347**	**Capital stock**	**6,579,844**
Investment securities	4,192,054	**Capital surplus**	**6,663,319**
Stocks of subsidiaries and affiliates	4,752,166	Legal capital surplus	6,663,319
Investments in capital	4,150	**Retained earnings**	**39,483,171**
Long-term loans receivable	89,838	Legal retained earnings	7,250
Long-term loans receivable from subsidiaries and affiliates	478,000	Other retained earnings	39,475,921
		General reserve	15,000
Long-term prepaid expenses	254,744	Reserve for tax purpose reduction entry of non-current assets	1,539,134
Long-term accounts receivable-other	59,554		
Claims provable in bankruptcy, claims provable in rehabilitation and other	20,538	Retained earnings brought forward	37,921,787
		Treasury shares	**(1,000,037)**
Lease and guarantee deposits	693,363	**Valuation and translation adjustments**	**302,479**
Other	4,014	**Valuation difference on available-for-sale securities**	**308,757**
Allowance for credit losses	(21,077)		
		Deferred gains (losses) on hedges	**(6,277)**
		Stock acquisition rights	**47,481**
		Total net assets	**52,076,260**
Total assets	**149,812,509**	**Total liabilities and net assets**	**149,812,509**

Non-Consolidated Statement of Operations

(From December 1, 2018 to November 30, 2019)

(¥ thousand)

Item	Amount	
Net sales		**48,861,295**
Cost of sales		**34,513,514**
Gross profit		**14,347,781**
Selling, general and administrative expenses		4,709,542
Operating income		**9,638,238**
Non-operating income		
Interest income	7,913	
Dividends income	788,700	
Miscellaneous income	62,578	859,191
Non-operating expenses		
Interest expenses	719,259	
Stock issue expense	491	
Foreign exchange losses	2,966	
Miscellaneous loss	4,330	727,047
Ordinary income		**9,770,383**
Extraordinary income		
Gain on sales of shares of subsidiaries	95,083	95,083
Income before income taxes		**9,865,466**
Income taxes-current	1,930,851	
Income taxes-deferred	661,419	2,592,271
Net income		**7,273,194**

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2018 to November 30, 2019)

(¥ thousand)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Total capital surpluses	Legal retained earnings	General reserve	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings	Treasury shares
Balance at the beginning of the year	6,554,139	6,637,615	6,637,615	7,250	15,000	–	33,960,034	33,982,284	(128)
Cumulative effect of changes in accounting policies							(315,966)	(315,966)	
Restated balance	6,554,139	6,637,615	6,637,615	7,250	15,000	–	33,644,067	33,666,317	(128)
Changes of items during the year									
Issuance of new shares	25,704	25,704	25,704						
Dividends from surplus							(1,456,340)	(1,456,340)	
Net income							7,273,194	7,273,194	
Provision of reserve for tax purpose reduction entry of non-current assets						1,539,134	(1,539,134)	–	
Purchase of treasury shares									(999,909)
Net changes of items other than shareholders' equity									
Total changes of items during the year	25,704	25,704	25,704	–	–	1,539,134	4,277,719	5,816,853	(999,909)
Balance at the end of the year	6,579,844	6,663,319	6,663,319	7,250	15,000	1,539,134	37,921,787	39,483,171	(1,000,037)

	Shareholders' equity	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	47,173,911	70,332	(2,460)	67,871	39,818	47,281,601
Cumulative effect of changes in accounting policies	(315,966)					(315,966)
Restated balance	46,857,944	70,332	(2,460)	67,871	39,818	46,965,634
Changes of items during the year						
Issuance of new shares	51,409					51,409
Dividends from surplus	(1,456,340)					(1,456,340)
Net income	7,273,194					7,273,194
Provision of reserve for tax purpose reduction entry of non-current assets						–
Purchase of treasury shares	(999,909)					(999,909)
Net changes of items other than shareholders' equity		238,424	(3,816)	234,607	7,663	242,271
Total changes of items during the year	4,868,353	238,424	(3,816)	234,607	7,663	5,110,625
Balance at the end of the year	51,726,298	308,757	(6,277)	302,479	47,481	52,076,260

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and methods for assets

1) Valuation basis and methods for securities

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

2) Valuation basis and method for derivatives

Derivatives	Stated at fair value

3) Valuation basis and methods for inventories

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

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

(2) Depreciation methods for non-current assets

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

(3) Recognition of allowances

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

	periods up to the fiscal year-end is determined using the benefit formula basis. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.

(4) Other significant matters for preparing financial statements

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

2. Changes in accounting policies

(Application of Accounting Standard for Revenue Recognition, etc.)

As the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) became applicable from the beginning of the fiscal year started on and after April 1, 2018, the Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the fiscal year under review. There is no significant impact of this change.

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, February 16, 2018), etc. have been applied from the fiscal year under review.

This change in accounting policy has been applied retrospectively, and the cumulative effect of change in accounting policy has been reflected in the book value of net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings brought forward in the non-consolidated statement of changes in net assets decreased by ¥315,966 thousand after the retrospective application.

3. Changes in presentation

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the fiscal year under review, and deferred tax assets are presented in investments and other assets, while deferred tax liabilities are presented in non-current liabilities.

4. Notes to non-consolidated balance sheet

(1) Assets pledged as security

(¥ thousand)

Details of pledged assets and the amounts	
Real estate for sale	42,165,097
Real estate for sale in process	26,356,800
Buildings	13,580,540
Land	18,948,339
Total	101,050,777
Amounts of securitized obligation	
Short-term loans payable	1,978,000
Current portion of long-term loans payable	13,832,430
Long-term loans payable	71,442,365
Total	87,252,795

(2) Accumulated depreciation on property, plant and equipment ¥2,818,095 thousand

(3) Contingent liabilities

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

Tosei Revival Investment Co., Ltd.	¥668,320 thousand
Tosei Community Co., Ltd.	¥56,164 thousand
Tosei Urban Home Corporation	¥370,000 thousand
Kishino Corporation	¥673,600 thousand

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

(¥ thousand)

1) Short-term monetary receivables	127,387
2) Long-term monetary receivables	59,554
3) Short-term monetary payables	94,793
4) Long-term monetary payables	159,137

(5) Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment of ¥29,567 thousand was transferred to real estate for sale due to the change in business policy.

Leasehold property previously held as real estate for sale of ¥1,723,473 thousand was transferred to property, plant and equipment due to the change in business policy.

5. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

(¥ thousand)

1) Sales	398,975
2) Purchase amount	1,077,717
3) Other business turnover	96,207
4) Transaction volume other than business turnover	662,525

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

¥287,368 thousand

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

Class and total number of treasury shares

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	105	1,008,700	–	1,008,805

(Note) The increase in the number of treasury shares is due to the acquisition pursuant to the Articles of Incorporation of the Company in accordance with the provision of Article 165, paragraph 2, of the Companies Act.

7. Notes on tax effect accounting

Significant components of deferred tax assets and liabilities

(¥ thousand)

Deferred tax assets	
Accrued enterprise taxes, currently not deductible	66,376
Provision for bonuses	97,031
Provision for retirement benefits	119,885
Long-term accounts payable-other for directors	106,753
Dividends income as withdrawal of investments	523,727
Other	66,284
Subtotal	980,058
Valuation reserves	(523,727)
Total deferred tax assets	456,331
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(136,266)
Reserve for tax purpose reduction entry of non-current assets	(679,277)
Total deferred tax liabilities	(815,544)
Net deferred tax liabilities	(359,212)

8. Notes on transactions with related parties

Subsidiaries and affiliates

Attribute	Name	Percentage of voting rights (%)	Business relationship	Transaction	Transaction amount (¥ thousand)	Account title	Balance at the end of the fiscal year (¥ thousand)
Subsidiary	Tosei Community Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	145,000	–	–
	Tosei Asset Advisors, Inc.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	370,000	–	–
	Tosei Revival Investment Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	55,000	–	–
	Tosei Urban Home Corporation	100% direct ownership	–	Receipt of dividends	50,000	–	–

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

9. Per share information

(1) Net assets per share	¥1,093.35
(2) Net income per share	¥151.89

10. Recognition of revenue

Description is omitted because the same information is stated in "(4) Accounting policies" in the Notes to Consolidated Financial Statements.

11. Significant subsequent events

Not applicable.

12. Other

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

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Audit Report

January 16, 2020

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:
Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:
Atushi Iijima (Seal)

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Tosei Corporation for the fiscal year from December 1, 2018 to November 30, 2019.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Conflicts of Interest

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

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

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Audit Report

January 16, 2020

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:
Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:
Atushi Iijima (Seal)

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the balance sheet, the related statements of operations and changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules of Tosei Corporation for the 70th term from December 1, 2018 to November 30, 2019.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Conflicts of Interest

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

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

Audit Report by Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 70th term (from December 1, 2018 to November 30, 2019), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

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

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

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

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

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

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

iv) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor that it had established a “system to ensure that the performance of duties was properly conducted” (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

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

2. Results of Audit

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

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

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

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

January 17, 2020

Audit & Supervisory Board of Tosei Corporation

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

Yutaka Kitamura (Seal)

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

Hitoshi Yagi (Seal)

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

Tatsuki Nagano (Seal)

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

Osamu Doi (Seal)

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