Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the third quarter of the 70th term)

from June 1, 2019
to August 31, 2019

TOSEI CORPORATION

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

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on October 10, 2019. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	October 10, 2019
Business year:	Third quarter of the 70th term (from June 1, 2019 to August 31, 2019)
Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	69th term First nine months	70th term First nine months	69th term
Accounting period	From December 1, 2017 to August 31, 2018	From December 1, 2018 to August 31, 2019	From December 1, 2017 to November 30, 2018
Revenue (¥ thousand) [Third quarter of the current fiscal year]	45,308,339 [12,787,644]	45,742,345 [11,289,659]	61,543,319
Profit attributable to owners of the parent (¥ thousand)	9,843,160	11,163,236	10,171,017
Profit attributable to owners of the parent (¥ thousand) [Third quarter of the current fiscal year]	6,645,209 [2,192,874]	7,649,892 [2,409,906]	6,852,237
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	6,680,059	7,812,195	6,856,712
Total equity (¥ thousand)	51,837,227	57,394,719	52,021,782
Total assets (¥ thousand)	134,998,602	157,181,063	138,768,538
Basic earnings per share (¥) [Third quarter of the current fiscal year]	137.15 [45.18]	159.44 [50.69]	141.36
Diluted earnings per share (¥)	136.88	159.21	141.12
Ratio of equity attributable to owners of the parent to total assets (%)	38.4	36.5	37.5
Net cash from (used in) operating activities (¥ thousand)	2,233,975	(2,997,850)	7,615,322
Net cash from (used in) investing activities (¥ thousand)	(1,759,666)	(358,360)	(10,786,784)
Net cash from (used in) financing activities (¥ thousand)	2,973,209	9,585,277	5,941,884
Cash and cash equivalents at end of period (¥ thousand)	27,197,189	32,748,094	26,520,569

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the nine months ended August 31, 2019, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year. There were also no changes in principal subsidiaries and affiliates.

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

Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2019. For details, please refer to "5. Segment information" in "IV. Accounting, 1. Condensed Quarterly Consolidated Financial Statements, (5) Notes to Condensed Quarterly Consolidated Financial Statements."

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the nine months ended August 31, 2019. In addition, there were no significant changes in “Business and other risks” described in the annual securities report for the previous fiscal year.

2. Management analysis of financial position, operating results and cash flows

Forward-looking statements included in this section are based on information available to the Group’s management as of August 31, 2019.

(1) Operating results

During the nine months ended August 31, 2019, the Japanese economy continued to make a moderate recovery. This recovery trend is expected to continue, supported by stable personal consumption, despite some indications of a slowdown in the global economy against a backdrop of trade frictions between the United States and China.

In the real estate industry where Tosei Group operates, commercial real estate transactions for the first half of 2019, from January to June, amounted to ¥2.2 trillion, roughly unchanged year on year. Sales to individual investors remain weak as financial institutions adopt a stricter stance on lending, but transactions for the whole of 2019 are expected to remain at the same level as the previous year, due to favorable property acquisitions by J-REITs and others supported by a favorable financing environment (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of newly supplied units from January to July 2019 decreased 16.9% year on year to 15,368 units, as persistently high property prices brought a decrease in the number of buyers, and each company limited new supply and concentrated on the sale of existing inventory. The average contract rate for the first month remained below the 70% threshold from which market conditions are viewed as favorable during the same period. In the build-for-sale detached house market, housing starts from January to July 2019 numbered 37,000 units, an increase of 7.0% year on year. Despite little evidence of a spike in demand in anticipation of the consumption tax increase, favorable demand continues for detached houses, which appear reasonably priced relative to condominiums (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 July 2019 remained low at 1.71% (a decrease of 0.87% year on year). The average asking rent was ¥21,665 (an increase of ¥1,463 year on year), rising for the 67th consecutive month. Rent is expected to continue to rise, as companies continue to experience a high level of need for increased floor space, expansion and relocation supported by the need to secure human resources and respond to work style reform (according to a survey by a private research institute).

In the real estate fund market, the market scale continues to expand. The total value of assets under management as of July 2019 grew to ¥18.8 trillion in J-REITs (an increase of ¥1.3 trillion year on year). Combined with the total value of assets under management in private placement funds of ¥17.7 trillion (as of December 2018), the securitization market scale expanded to ¥36.5 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, monthly guest room occupancy rates from January to June 2019 generally exceeded the 80% threshold from which market conditions are viewed as favorable. The number of nights stayed by foreign visitors to Tokyo in all types of accommodation increased 15% year on year. The proportion of overseas guests was 38% (a three percentage point increase year on year), with growth in visitors from Europe, the United States and Australia in particular (according to a survey by the Japan Tourism Agency).

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

As a result, consolidated revenue for the nine months ended August 31, 2019 totaled ¥45,742 million (up 1.0% year on year), operating profit was ¥11,618 million (up 12.2%), profit before tax was ¥11,163 million (up 13.4%), and profit for the period was ¥7,649 million (up 15.1%).

Performance by business segment is shown below.
Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2019, and in the following quarterly comparisons figures for the same period of the previous fiscal year have been recalculated according to the segment after such change.

Revitalization Business

During the nine months ended August 31, 2019, the segment sold 35 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), Grosvenor Square Building (Yokohama-shi, Kanagawa). In addition, the segment sold nine units in the Restyling Business from Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa) etc.
During the nine months ended August 31, 2019, it acquired a total of 29 income-generating office buildings and apartments for renovation and sales purposes and four land lots.
As a result, revenue in this segment was ¥22,701 million (down 6.6% year on year) and the segment profit was ¥8,013 million (up 16.3%).

Development Business

During the nine months ended August 31, 2019, the segment focused on the sale of condominium and detached houses for which there was firm demand. The segment sold 160 units at THE Palms Chofu Manorgarden (Chofu-shi, Tokyo), etc. and sold 61 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 six land lots.
During the nine months ended August 31, 2019, it acquired three land lots for hotel projects, two land lots for logistics facility projects, one land lot for commercial facility project, one land lot for apartment and land lots for 93 detached houses.
As a result, revenue in this segment was ¥12,333million (up 8.8% year on year) and the segment profit was ¥1,640 million (up 9.1%).

Rental Business

During the nine months ended August 31, 2019, while the segment sold 23 buildings of its inventory assets held for leasing purposes, it newly acquired 19 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 holding non-current assets and inventory assets.
As a result, revenue in this segment was ¥4,416 million (up 1.7% year on year) and the segment profit was ¥1,801 million (down 3.6%).

Fund and Consulting Business

During the nine months ended August 31, 2019, while ¥99,118 million was subtracted from the balance of Assets under management mainly due to property dispositions by funds, ¥175,747 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 asset management contracts. The balance of assets under management as of August 31, 2019, was ¥739,987 million.
As a result, revenue in this segment was ¥2,024 million (up 6.9% year on year) and the segment profit was ¥1,047 million (up 13.8%).
Note: The balance of assets under management includes the balance of assets that were subject to consulting contracts, etc.

Property Management Business

During the nine months ended August 31, 2019, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 647 as of August 31, 2019, a decrease of 20 from August 31, 2018, with the total comprising 407 office buildings, hotels, schools and other such properties, and 240 condominiums and apartments.

As a result, although the total number of properties under management decreased, revenue in this segment was ¥3,433 million (up 13.9% year on year) and segment profit was ¥425 million (up 7.0%).

Hotel Business

During the nine months ended August 31, 2019, the Group worked towards increasing the average daily rate and occupancy rate for TOSEI HOTEL COCONE Kanda, opened in December 2017, as well as TOSEI HOTEL COCONE Ueno which newly opened in December 2018 contributed to revenue.

As a result, revenue in this segment was ¥832 million (up 104.7% year on year) and segment profit was ¥122 million (down 6.2%).

(2) Analysis of financial Positions

As of August 31, 2019, total assets were ¥157,181 million, an increase of ¥18,412 million compared with November 30, 2018, while total liabilities were ¥99,786 million, an increase of ¥13,039 million.

Total assets increase is mainly due to an increase in cash and cash equivalents and an increase in inventories. Increase in liabilities were primarily due to an increase in trade and other payables an increase in borrowing, and due to a decrease in current income tax liabilities.

Total equity increased by ¥5,372 million to ¥57,394 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter “cash”) as of August 31, 2019 totaled ¥32,748 million, up ¥6,227 million compared with November 30, 2018.

The cash flows for the nine months ended August 31, 2019 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥2,997 million (in comparison with segment net cash provided by operating activities of ¥2,233 million in the same period of the previous fiscal year). This is mainly due to profit before tax of 11,163 million, an increase in inventories of ¥12,646 million and income taxes paid of ¥3,928 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥358 million (down 79.6% year on year). This is primarily due to purchase of investment properties of ¥326 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥9,585 million (up 222.4% year on year). This mainly reflects ¥32,199 million in proceeds from non-current borrowings, despite ¥20,003 million in the repayments of non-current borrowings, ¥1,454 million in cash dividends paid and ¥999 million in the purchase of treasury shares.

(4) Operational and financial issues to be addressed

During the nine months ended August 31, 2019, there was no significant change in issues to be addressed by the Tosei Group.

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

a. Contents of basic policy

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

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

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

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

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, 2019, the Company will continue implementing its growth strategy based on this plan.

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 good location. 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 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 is newly established from the fiscal year ending 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.

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

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

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

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

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

When the acquisition is not in compliance with the procedures stipulated in the plan, and/or there is possibility of such offer to apparently cause harm to the corporate value of the Company and, in turn, to the common interests of shareholders, and it is appropriate for the Company to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company’s board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company’s shareholders, the Company’s board of directors will comply with the shareholders’ intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the Acquirer to exercise the rights and an acquisition provision to the effect that the Company will acquire the stock acquisition rights in exchange for shares of the Company from persons other than the Acquirer. The Company’s board of directors will resolve, as an agency stipulated by the Companies Act, as to the implementation or non-implementation of the gratis allotment of stock acquisition rights, fully respecting the recommendation of the Independent Committee. In addition, when a meeting of shareholders is convened to confirm the intent of the Company’s shareholders, the Company’s board of directors will follow the shareholders’ intent. If the procedures under this plan have commenced, the Acquirer must refrain from making any acquisition until the Company’s board of directors resolves not to trigger the plan. The plan will remain in effect until the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years of the conclusion of the 68th Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company’s board of directors resolves to abolish the plan, the plan will be abolished at that time.

d. Assessment by the Company’s board of directors regarding specific measures and reasons thereof

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

In addition, the Company's board of directors is of the view that the plan is in line with the basic policy, does not undermine the common interests of the Company's shareholders, and is not for the purpose of maintaining the positions of the Company's corporate officers, based on the following reasons: an approval at the general meeting of shareholders has been obtained for its renewal; its maximum effective period is stipulated to be three years and it can be abolished at any time by the resolution of the Company's board of directors; an independent committee, which is comprised of the members that are independent of the management of the Company, has been established and the countermeasures stipulated in the plan requires the decision by the independent committee for actual executions; and the plan fully satisfies the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

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

III. Filing company

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

(1) Total number of authorized shares, etc.

a. Total number of authorized shares

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

b. Number of shares issued

Class	Number of issued shares (Shares: as of August 31, 2019)	Number of issued shares (Shares: as of the date of filing: October 10, 2019)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,557,300	48,557,300	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,557,300	48,557,300	–	–

Note: Shares issued through the exercise of stock acquisition rights between October 1, 2019 and the submission date of this Quarterly Securities Report are not included under "Number of shares issued."

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

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2) Details of other stock acquisition rights, etc.

No item to report.

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

No item to report.

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

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From June 1, 2019 to August 31, 2019	8,500	48,557,300	4,326	6,560,502	4,326	6,643,977

Notes: The increases were due to the exercise of stock option.

(5) Status of major shareholders

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

(6) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of May 31, 2019, which is the latest record date, as the information as of August 31, 2019 is not yet available.

a. Issued shares

(As of August 31, 2019)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 1,008,800	–	–
Shares with full voting rights (Other)	Ordinary shares 47,536,300	475,363	–
Shares less than one unit	Ordinary shares 3,700	–	–
Total number of issued shares	48,548,800	–	–
Voting rights owned by all shareholders	–	475,363	–

Note:1. The number of "Shares with full voting rights (Other)" includes 400 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes 4 units of voting rights related to shares with full voting rights in its name.

2. Number of ordinary shares in "Shares less than one unit" includes 5 shares of treasury shares.

b. Treasury shares, etc.

(As of August 31, 2019)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
(Treasury shares held) TOSEI CORPORATION	4-2-3, Toranomon, Minato-ku, Tokyo, Japan	1,008,800	–	1,008,800	2.07
Total	–	1,008,800	–	1,008,800	2,.07

Note: At the board of directors meeting held on February 5, 2019, the Company resolved the acquisition of treasury shares from February 7, 2019 to August 31, 2019, and the Company acquired 1,008,700 treasury shares. And the acquisition has ended on April 23, 2019.

2. Status of Officers

There was no change in officers during the nine months ended August 31, 2019 after the filing date of annual securities report for the previous fiscal year.

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

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

2. Audit attestation

The condensed quarterly consolidated financial statements of the company for the third quarter of the fiscal year ending November 30, 2019 (from June 1, 2019 to August 31, 2019) and for the first nine months of the fiscal year ending November 30, 2019 (from December 1, 2018 to August 31, 2019) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2018	As of August 31, 2019
Assets			
Current assets			
Cash and cash equivalents	8	26,520,569	32,748,094
Trade and other receivables	8	3,090,237	2,845,818
Inventories		62,457,864	75,303,947
Other current assets		30,495	12,098
Total current assets		92,099,167	110,909,959
Non-current assets			
Property, plant and equipment		8,785,869	8,688,490
Investment properties		33,752,847	33,489,327
Intangible assets		87,966	80,960
Other financial assets	8	2,244,831	2,436,079
Trade and other receivables	8	865,235	1,163,227
Deferred tax assets		903,707	409,004
Other non-current assets		28,914	4,014
Total non-current assets		46,669,371	46,271,103
Total assets		138,768,538	157,181,063
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	8	4,075,579	5,428,705
Borrowings	8	7,308,494	9,682,184
Current income tax liabilities		2,445,597	1,248,216
Provisions		593,669	307,947
Total current liabilities		14,423,341	16,667,054
Non-current liabilities			
Trade and other payables	8	3,708,969	3,735,813
Borrowings	8	67,716,752	78,098,270
Retirement benefits obligations		493,554	515,169
Provisions		6,817	6,933
Deferred tax liabilities		397,320	763,102
Total non-current liabilities		72,323,414	83,119,289
Total Liabilities		86,746,756	99,786,343
Equity			
Share capital		6,554,139	6,560,502
Capital reserves		6,544,924	6,555,553
Retained earnings		38,843,309	45,036,860
Treasury shares		(128)	(1,000,037)
Other components of equity		79,537	241,840
Total equity attributable to owners of parent		52,021,782	57,394,719
Total equity		52,021,782	57,394,719
Total liabilities and equity		138,768,538	157,181,063

(2) Condensed Consolidated Statement of Comprehensive Income
Nine months ended August 31, 2019

(¥ thousand)

	Notes	Nine months ended August 31, 2018	Nine months ended August 31, 2019
Revenue	5	45,308,339	45,742,345
Cost of revenue		29,312,301	28,123,963
Gross profit		15,996,038	17,618,381
Selling, general and administrative expenses		5,683,847	6,050,454
Other income		136,145	62,418
Other expenses		90,523	12,323
Operating profit	5	10,357,812	11,618,021
Finance income		84,503	101,810
Finance costs		599,155	556,595
Profit before tax		9,843,160	11,163,236
Income tax expense		3,197,951	3,513,343
Profit for the period		6,645,209	7,649,892
Other comprehensive income			
Other comprehensive income Items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		—	199,526
Subtotal		—	199,526
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(5,552)	(16,916)
Net change in fair values of available-for-sale financial assets		37,883	—
Net change in fair values of cash flow hedges		2,519	(20,307)
Subtotal		34,850	(37,223)
Other comprehensive income for the period, net after tax		34,850	162,303
Total comprehensive income for the period		6,680,059	7,812,195
Profit attributable to:			
Owners of the parent		6,645,209	7,649,892
Total comprehensive income attributable to:			
Owners of the parent		6,680,059	7,812,195
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	7	137.15	159.44
Diluted earnings per share (¥)	7	136.88	159.21

Third quarter ended August 31, 2019

(¥ thousand)

	Notes	Third quarter ended August 31, 2018	Third quarter ended August 31, 2019
Revenue	5	12,787,644	11,289,659
Cost of revenue		7,563,214	5,636,082
Gross profit		5,224,429	5,653,577
Selling, general and administrative expenses		1,760,981	2,001,411
Other income		12,633	5,765
Other expenses		5,286	4,435
Operating profit	5	3,470,794	3,653,496
Finance income		43,687	60,554
Finance costs		183,239	185,649
Profit before tax		3,331,243	3,528,400
Income tax expense		1,138,368	1,118,493
Profit for the period		2,192,874	2,409,906
Other comprehensive income			
Other comprehensive income Items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		—	107,615
Subtotal		—	107,615
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		30	(7,014)
Net change in fair values of available-for-sale financial assets		63	—
Net change in fair values of cash flow hedges		796	(21,078)
Subtotal		891	(28,093)
Other comprehensive income for the period, net after tax		891	79,522
Total comprehensive income for the period		2,193,765	2,489,428
Profit attributable to:			
Owners of the parent		2,192,874	2,409,906
Total comprehensive income attributable to:			
Owners of the parent		2,193,765	2,489,428
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	7	45.18	50.69
Diluted earnings per share (¥)	7	45.13	50.60

(3) Condensed Consolidated Statement of Changes in Equity

Nine months ended August 31, 2018 (December 1, 2017 – August 31, 2018)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2017		6,421,392	6,464,240	33,209,210	—	64,024	46,158,867	46,158,867
Profit for the period				6,645,209			6,645,209	6,645,209
Other comprehensive income						34,850	34,850	34,850
Total comprehensive income for the period		—	—	6,645,209	—	34,850	6,680,059	6,680,059
Amount of transactions with owners								
Issuance of new shares		127,657	72,869				200,526	200,526
Purchase of treasury shares					(61)		(61)	(61)
Dividends of surplus	6			(1,207,100)			(1,207,100)	(1,207,100)
Share-based payment			4,935				4,935	4,935
Balance at August 31, 2018		6,549,049	6,542,045	38,647,319	(61)	98,874	51,837,227	51,837,227

Nine months ended August 31, 2019 (December 1, 2018 – August 31, 2019)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2018		6,554,139	6,544,924	38,843,309	(128)	79,537	52,021,782	52,021,782
Profit for the period				7,649,892			7,649,892	7,649,892
Other comprehensive income						162,303	162,303	162,303
Total comprehensive income for the period		—	—	7,649,892	—	162,303	7,812,195	7,812,195
Amount of transactions with owners								
Issuance of new shares		6,362	3,443				9,806	9,806
Purchase of treasury shares			(2,711)		(999,909)		(1,002,620)	(1,002,620)
Dividends of surplus	6			(1,456,340)			(1,456,340)	(1,456,340)
Share-based payment			9,896				9,896	9,896
Balance at August 31, 2019		6,560,502	6,555,553	45,036,860	(1,000,037)	241,840	57,394,719	57,394,719

(4) Condensed Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Nine months ended August 31, 2018	Nine months ended August 31, 2019
Cash flows from operating activities			
Profit before tax		9,843,160	11,163,236
Depreciation expense		437,355	652,310
Increase (decrease) in provisions and retirement benefits obligations		(216,943)	(255,633)
Interest and dividend income		(84,503)	(101,810)
Interest expenses		599,155	556,595
Loss on retirement of property, plant and equipment		608	—
Decrease (increase) in trade and other receivables		(318,168)	279,133
Decrease (increase) in inventories		(5,939,084)	(12,646,359)
Increase (decrease) in trade and other payables		(54,944)	1,178,475
Other, net		(75,924)	2,740
Subtotal		4,190,710	828,689
Interest and dividend income received		84,503	101,810
Income taxes paid		(2,041,238)	(3,928,350)
Net cash from (used in) operating activities		2,233,975	(2,997,850)
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		—	20,000
Purchase of property, plant and equipment		(54,035)	(46,969)
Purchase of investment properties		(185,580)	(326,969)
Purchase of intangible assets		(25,368)	(15,961)
Purchase of other financial assets		(280)	(51,920)
Collection of other financial assets		655	6,914
Proceeds from sales of other financial assets		3,329	151,509
Payments of loans receivable		—	(126,730)
Collection of loans receivable		57	11,351
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(1,502,160)	—
Other, net		3,715	20,413
Net cash from (used in) investing activities		(1,759,666)	(358,360)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		169,500	557,000
Proceeds from non-current borrowings		26,401,950	32,199,845
Repayments of non-current borrowings		(21,873,293)	(20,003,632)
Proceeds from issuance of new shares		200,140	9,703
Cash dividends paid		(1,206,624)	(1,454,872)
Interest expenses paid		(715,660)	(720,015)
Purchase of treasury shares		(61)	(999,909)
Other, net		(2,741)	(2,841)
Net cash from (used in) financing activities		2,973,209	9,585,277
Net increase (decrease) in cash and cash equivalents		3,447,518	6,229,066
Cash and cash equivalents at beginning of period		23,750,239	26,520,569
Effect of exchange rate change on cash and cash equivalents		(568)	(1,542)
Cash and cash equivalents at end of period		27,197,189	32,748,094

(5) Notes on Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the third quarter (June 1, 2019 to August 31, 2019) and first nine months (December 1, 2018 to August 31, 2019) of the current fiscal year have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

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

These condensed quarterly consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on October 8, 2019.

(2) Basis of measurement

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

(3) Presentation currency and unit amount

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

3. Significant accounting policies

With the exception of the following items, significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

Changes in accounting policies

The Group applied the following standards effective from the first quarter of the fiscal year ending November 30, 2019.

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 condensed quarterly consolidated financial statements.

(1) IFRS 9 “Financial Instruments”

1) 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 instruments 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.” “Available-for-sale financial assets” have been reclassified to “Other financial assets” in the Condensed Consolidated Statement of Financial Position. In accordance with transition provisions, the Group has not applied IFRS 9 retrospectively to consolidated financial statements for the previous fiscal year.

2) 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.

(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. For this reason, the Group has not applied IFRS 15 retrospectively to consolidated financial statements for each prior reporting period.

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

4. Significant accounting estimates and judgments requiring estimates

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

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

5. Segment information

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

The Tosei Group has made changes to its reportable segments, increasing the number of such segments from five up through the end of the previous fiscal year to six as of the first quarter of the fiscal year ending November 30, 2019. Accordingly, the reportable segments are now: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, and Property Management Business, Hotel Business.

As the quantitative importance of "Hotel Business", which was included in " Rental Business" and "Others", increased, it is now classified as a separate reportable segment.

Segment information for the nine months ended August 31, 2018 and third quarter ended August 31, 2018 have been prepared in accordance with the new reportable segment classifications.

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

Nine months ended August 31, 2018

(December 1, 2017 – August 31, 2018)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	24,312,328	11,339,368	4,340,951	1,893,143	3,015,936	406,611	—	45,308,339
Intersegment revenue	—	—	32,986	45,306	900,434	950	(979,677)	—
Total	24,312,328	11,339,368	4,373,938	1,938,449	3,916,371	407,561	(979,677)	45,308,339
Segment profit	6,890,049	1,503,758	1,868,632	920,446	397,357	131,010	(1,353,442)	10,357,812
Finance income/costs, net								(514,652)
Profit before tax								9,843,160

Nine months ended August 31, 2019

(December 1, 2018 – August 31, 2019)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	22,701,567	12,333,730	4,416,001	2,024,646	3,433,982	832,417	—	45,742,345
Intersegment revenue	—	—	35,952	15,104	929,671	2,780	(983,508)	—
Total	22,701,567	12,333,730	4,451,954	2,039,750	4,363,654	835,197	(983,508)	45,742,345
Segment profit	8,013,585	1,640,350	1,801,039	1,047,662	425,146	122,827	(1,432,590)	11,618,021
Finance income/costs, net								(454,785)
Profit before tax								11,163,236

Third quarter ended August 31, 2018

(June 1, 2018 – August 31, 2018)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	6,727,289	2,725,821	1,543,881	568,485	1,077,546	144,618	—	12,787,644
Intersegment revenue	—	—	11,056	23,763	363,783	450	(399,054)	—
Total	6,727,289	2,725,821	1,554,938	592,249	1,441,330	145,068	(399,054)	12,787,644
Segment profit	2,662,313	95,618	668,665	212,775	192,910	31,084	(392,573)	3,470,794
Finance income/costs, net								(139,551)
Profit before tax								3,331,243

Third quarter ended August 31, 2019

(June 1, 2019 – August 31, 2019)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	5,625,768	2,106,839	1,481,943	715,646	1,116,812	242,649	—	11,289,659
Intersegment revenue	—	—	13,099	5,124	346,318	950	(365,493)	—
Total	5,625,768	2,106,839	1,495,043	720,770	1,463,131	243,599	(365,493)	11,289,659
Segment profit or loss	2,986,188	99,046	618,953	357,499	135,979	(9,056)	(535,114)	3,653,496
Finance income/costs, net								(125,095)
Profit before tax								3,528,400

6. Dividends

Dividends paid in the nine months ended August 31, 2018 and August 31, 2019 are as follows:

Nine months ended August 31, 2018				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 27, 2018	25	1,207,100	November 30, 2017	February 28, 2018

Nine months ended August 31, 2019				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 27, 2019	30	1,456,340	November 30, 2018	February 28, 2019

7. Earnings per share

	Nine months ended August 31, 2018	Nine months ended August 31, 2019
Profit attributable to owners of the parent (¥ thousand)	6,645,209	7,649,892
Net income used to figure diluted net income per share (¥ thousand)	6,645,209	7,649,892
Weighted average number of outstanding ordinary shares (shares)	48,450,511	47,980,595
The number of increased ordinary shares used to figure diluted earnings per share (shares)	98,062	69,692
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	48,548,573	48,050,287
Basic earnings per share (¥)	137.15	159.44
Diluted net income per share (¥)	136.88	159.21

	Third quarter ended August 31, 2018	Third quarter ended August 31, 2019
Profit attributable to owners of the parent (¥ thousand)	2,192,874	2,409,906
Net income used to figure diluted net income per share (¥ thousand)	2,192,874	2,409,906
Weighted average number of outstanding ordinary shares (shares)	48,531,664	47,543,745
The number of increased ordinary shares used to figure diluted earnings per share (shares)	59,484	85,790
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	48,591,148	47,629,535
Basic earnings per share (¥)	45.18	50.69
Diluted net income per share (¥)	45.13	50.60

8. Financial instruments

i) Fair values and book values

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

(¥ thousand)

	As of November 30, 2018		As of August 31, 2019	
	Book value	Fair value	Book value	Fair value
Financial assets				
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	–	–
Available-for-sale financial assets				
Available-for-sale financial assets	2,244,831	2,244,831	–	–
Financial assets measured at amortized cost				
Cash and cash equivalents	–	–	32,748,094	32,748,094
Trade and other receivables	–	–	2,455,970	2,455,970
Financial assets measured at fair value through other comprehensive income				
Other financial assets	–	–	2,013,349	2,013,349
Financial assets measured at fair value through profit or loss				
Other financial assets	–	–	422,730	422,730
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	6,138,677	6,138,677	6,121,031	6,121,031
Borrowings	75,025,247	75,035,318	87,780,455	87,790,275

Method for measuring fair value of financial instruments

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

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

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

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 estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method.

Non-current borrowings

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

ii) Fair value hierarchy

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

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

(¥ thousand)

	As of November 30, 2018			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,613,044	–	631,787	2,244,831
Financial liabilities measured at fair values with the change through other comprehensive income (derivative)	–	9,469	–	9,469

	As of August 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	1,944,476	–	68,873	2,013,349
Financial assets measured at fair values through profit or loss	–	–	422,730	422,730
Financial liabilities measured at fair value with the change through other comprehensive income (derivative)	–	38,707	–	38,707

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

(¥ thousand)

	Nine months ended August 31, 2019
Balance at beginning of period	631,787
Acquisition	3,557
Comprehensive income	
Profit (loss)	10,166
Other comprehensive income	4,516
Disposal	(158,423)
Balance at end of period	491,603

9. Significant subsequent events

No item to report.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

October 8, 2019

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:

Atsushi Iijima (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the third quarter (June 1, 2019 to August 31, 2019) and the first nine-month period (December 1, 2018 to August 31, 2019) of the fiscal year from December 1, 2018 to November 30, 2019.

Management's Responsibility for the Condensed Quarterly Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Conclusion

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting", and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of August 31, 2019, and the consolidated results of their operations and their cash flows for the nine-month period then ended the same date.

Interest

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

End

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

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

Note:
The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.