Annual Securities Report

(Pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act)

(The English translation of the
“Yukashoken-Houkokusho” for the 64th term)

from December 1, 2012
to November 30, 2013

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 Annual Securities Report (YUKASHOKEN-HOKOKUSHO) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 28, 2014 pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Company name (English):	TOSEI CORPORATION
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A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	60th term (Japanese GAAP)	61st term (Japanese GAAP)	62nd term (Japanese GAAP)	63rd term (Japanese GAAP)	64th term (Japanese GAAP)	63rd term (IFRS)	64th term (IFRS)
Accounting period	Fiscal year ended Nov. 30, 2009	Fiscal year ended Nov. 30, 2010	Fiscal year ended Nov. 30, 2011	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013
Net sales or revenue (¥ thousand)	33,629,805	26,449,540	24,759,291	24,195,800	35,070,345	24,195,800	35,070,345
Ordinary income (¥ thousand)	656,285	803,134	1,574,500	2,323,108	3,105,842	–	–
Profit before tax (¥ thousand)	–	–	–	–	–	2,218,631	3,217,272
Net income or profit attributable to owners of parent (¥ thousand)	108,249	421,606	751,982	1,466,225	1,890,083	1,465,284	2,003,480
Comprehensive income or comprehensive income attributable to owners of parent (¥ thousand)	–	–	748,839	1,465,299	1,894,728	1,464,358	2,008,124
Net assets or total equity (¥ thousand)	22,253,707	24,455,632	24,976,051	26,569,743	30,122,824	26,543,892	30,102,468
Total assets (¥ thousand)	62,235,110	62,682,616	59,967,603	65,352,734	71,265,154	65,363,083	71,276,894
Net assets per share or equity attributable to owners of parent per share (¥)	56,151.60	53,532.16	54,671.33	581.60	623.87	581.03	623.45
Net income per share or basic earnings per share (¥)	285.38	974.63	1,646.05	32.09	40.56	32.07	42.99
Net income per share (diluted) or diluted earnings per share (¥)	–	–	–	–	–	–	–
Equity ratio or ratio of equity attributable to owners of parent to total assets (%)	35.7	39.0	41.6	40.7	42.3	40.6	42.2
Return on equity or ratio of return on equity attributable to owners of parent (%)	0.5	1.8	3.0	5.6	6.7	5.7	7.1
Price earnings ratio (PER) (Times)	74.99	33.30	11.36	11.17	19.16	11.18	18.07
Net cash from (used in) operating activities (¥ thousand)	12,233,935	(1,625,695)	6,017,729	(325,054)	2,772,614	(325,054)	2,772,614
Net cash from (used in) investing activities (¥ thousand)	392,585	(178,765)	(116,149)	56,228	(940,724)	56,228	(940,724)
Net cash from (used in) financing activities (¥ thousand)	(12,090,510)	735,439	(4,416,563)	1,316,359	3,456,677	1,316,359	3,456,677
Cash and cash equivalents at end of period (¥ thousand)	7,890,310	6,821,288	8,306,305	9,410,622	14,711,997	9,410,622	14,711,997
Number of employees [Separately, average number of temporary employees] (Person)	191 [146]	206 [167]	220 [200]	220 [228]	227 [228]	220 [228]	227 [228]

Notes: 1. Net sales or revenue does not include consumption taxes.
2. Net income per share (diluted) or diluted earnings per share are not presented because there were no potential shares.
3. As from the 64th term, the Company has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standard ("IFRS"). Indicators under IFRS for the 63rd term are also shown in the above table.

4. Indicators for the 64th term (Japanese GAAP) have not been audited under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.
5. For the consolidated financial statements based on Japanese GAAP, the accounting policy has been changed in order to make more appropriate disclosure of profit or loss for the period, starting the 64th term. In line with this, figures calculated by retrospectively applying the change of the accounting policy are shown in the consolidated financial statements prepared in accordance with Japanese GAAP for the 63rd term.
6. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, net assets per share or equity attributable to owners of the parent per share, and net income per share or basic earnings per share were calculated on the assumption that the share split was implemented at the beginning of the 63rd term.

(2) Filing company's management benchmarks (non-consolidated)

Term	60th term	61st term	62nd term	63rd term	64th term
Accounting period	Fiscal year ended Nov. 30, 2009	Fiscal year ended Nov. 30, 2010	Fiscal year ended Nov. 30, 2011	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013
Net sales (¥ thousand)	30,524,223	23,230,287	20,719,445	19,431,692	30,044,918
Ordinary income (¥ thousand)	671,986	809,414	1,601,947	2,016,138	2,654,711
Net income (¥ thousand)	133,714	433,363	993,517	1,198,413	1,656,236
Capital stock (¥ thousand)	4,452,807	5,454,673	5,454,673	5,454,673	6,421,392
Total number of shares issued (Shares)	395,840	456,840	456,840	456,840	48,284,000
Net assets (¥ thousand)	21,406,799	23,620,480	24,382,434	25,699,023	29,015,893
Total assets (¥ thousand)	58,198,165	58,871,182	56,313,964	61,460,079	67,207,256
Net assets per share (¥)	54,012.08	51,704.06	53,371.94	562.54	600.94
Dividends per share (¥) [Interim dividends per share] (¥)	500.00 [–]	500.00 [–]	500.00 [–]	600.00 [–]	8.00 [–]
Net income per share (¥)	352.51	1,001.81	2,174.76	26.23	35.54
Net income per share (diluted) (¥)	–	–	–	–	–
Equity ratio (%)	36.7	40.1	43.3	41.8	43.2
Return on equity (ROE) (%)	0.6	1.9	4.1	4.8	6.1
Price earnings ratio (PER) (Times)	60.71	32.39	8.60	13.67	21.86
Dividend payout ratio (%)	141.8	49.9	23.0	22.9	22.5
Number of employees [Separately, average number of temporary employees] (Person)	114 [–]	116 [–]	123 [–]	116 [–]	120 [–]

Notes: 1. Net sales do not include consumption taxes.

2. Net income per share (diluted) is not presented because there were no potential shares.

3. The accounting policy has been changed in order to make more appropriate disclosure of profit or loss for the period, starting the 64th term. In line with this, figures calculated by retrospectively applying the change of the accounting policy are shown in the financial statements for the 63rd term.

4. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, net assets per share and net income per share were calculated on the assumption that the share split was implemented at the beginning of the 63rd term. However, the total number of shares issued and dividends per share do not take effects of the share split-up into account.

2. History

Date		Details of change
February	1950	Established as Yukari Kogyo Co., Ltd. with purpose of engaging in restaurant business at location of 514 Oaza Oita, Oita-shi, Oita Prefecture, Japan (Capital: ¥500,000)
April	1952	Moved head office to Kameido, Koto-ku, Tokyo
June	1964	Added real estate trading, brokerage, rental and management businesses to scope of business purpose
May	1968	Moved head office to Sotokanda, Chiyoda-ku, Tokyo
July	1969	Changed trade name to Yukari Co., Ltd.
March	1973	Obtained license of building lots and buildings transaction business (License Number: Governor of Tokyo (1) No. 24043)
March	1983	Changed trade name to Tosei Building Co., Ltd.
April	1986	Moved head office to Iwamoto-cho, Chiyoda-ku, Tokyo
October	1994	Started sales of condominiums of “THE Palms” series
September	1995	Established Kanda Awaji-cho Building Co., Ltd.
March	1996	Changed trade name to Tosei Fudosan Co., Ltd.
April	1996	Launched revitalization business
December	1996	Moved head office to Kanda Awaji-cho, Chiyoda-ku, Tokyo
December	1997	Launched contract work, including repair and restoration, incidental to building management business upon obtaining license of specified construction business (License Number: Governor of Tokyo (Special-9) No. 107905)
July	1999	Started sales of detached houses of “Palms Court” series
February	2001	Launched asset management business upon registering general real estate investment advisory business (Registration Number: Minister of Land, Infrastructure, Transport and Tourism No. 127)
March	2001	Merged with Kabushiki Kaisha. Konmasa Shoten, Nihon Kogyo Jutaku Kabushiki Kaisha. and Hidaka Kogyo Kabushiki Kaisha. by absorption-type merger using LBO (leveraged buyout) technique
April	2001	Registered first-class architectural firm (Registration Number: Governor of Tokyo No. 46219)
November	2001	Span off Building Management Division engaged in building management services and transferred it to Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged)
December	2001	Established Securitization Business Division to realize full-scale entry into real estate securitization business
August	2002	Structured “Argo Fund,” a private placement fund investing in trust beneficiary rights in rental condominiums, as our first real estate investment fund
December	2002	Merged with our subsidiary Kanda Awaji-cho Building Co., Ltd. by absorption-type merger
February	2004	Registered shares as over-the-counter securities at Japan Securities Dealers Association
September	2004	Obtained license of real estate specified joint enterprise (License Number: Governor of Tokyo No. 58)
December	2004	Cancelled registration as over-the-counter securities at Japan Securities Dealers Association and listed shares on Jasdaq Securities Exchange (later delisted shares in January 2008)
March	2005	Established Tosei Revival Investment Co., Ltd. (currently consolidated subsidiary Tosei Revival Investment Co., Ltd., Japanese name of which has changed with English name unchanged)
April	2005	Made Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged) a consolidated subsidiary by acquiring its shares
September	2005	Established Tosei REIT Advisors, Inc. (currently consolidated subsidiary Tosei Asset Advisors, Inc.)
October	2006	Changed trade name to Tosei Corporation and moved head office to Toranomon, Minato-ku, Tokyo
November	2006	Listed shares on Second Section of Tokyo Stock Exchange
September	2007	Registered type II financial instruments business and investment advisory and agency business (Registration Number: Director-General of Kanto Local Finance Bureau (Kinsho) No. 898)
September	2009	Launched “Restyling business” as a new business model of revitalization business
September	2011	Listed shares on First Section of Tokyo Stock Exchange
January	2012	Established Tosei Singapore Pte. Ltd.
December	2012	Established NAI TOSEI Japan ,Inc.
March	2013	Listed shares on Main Board of Singapore Exchange

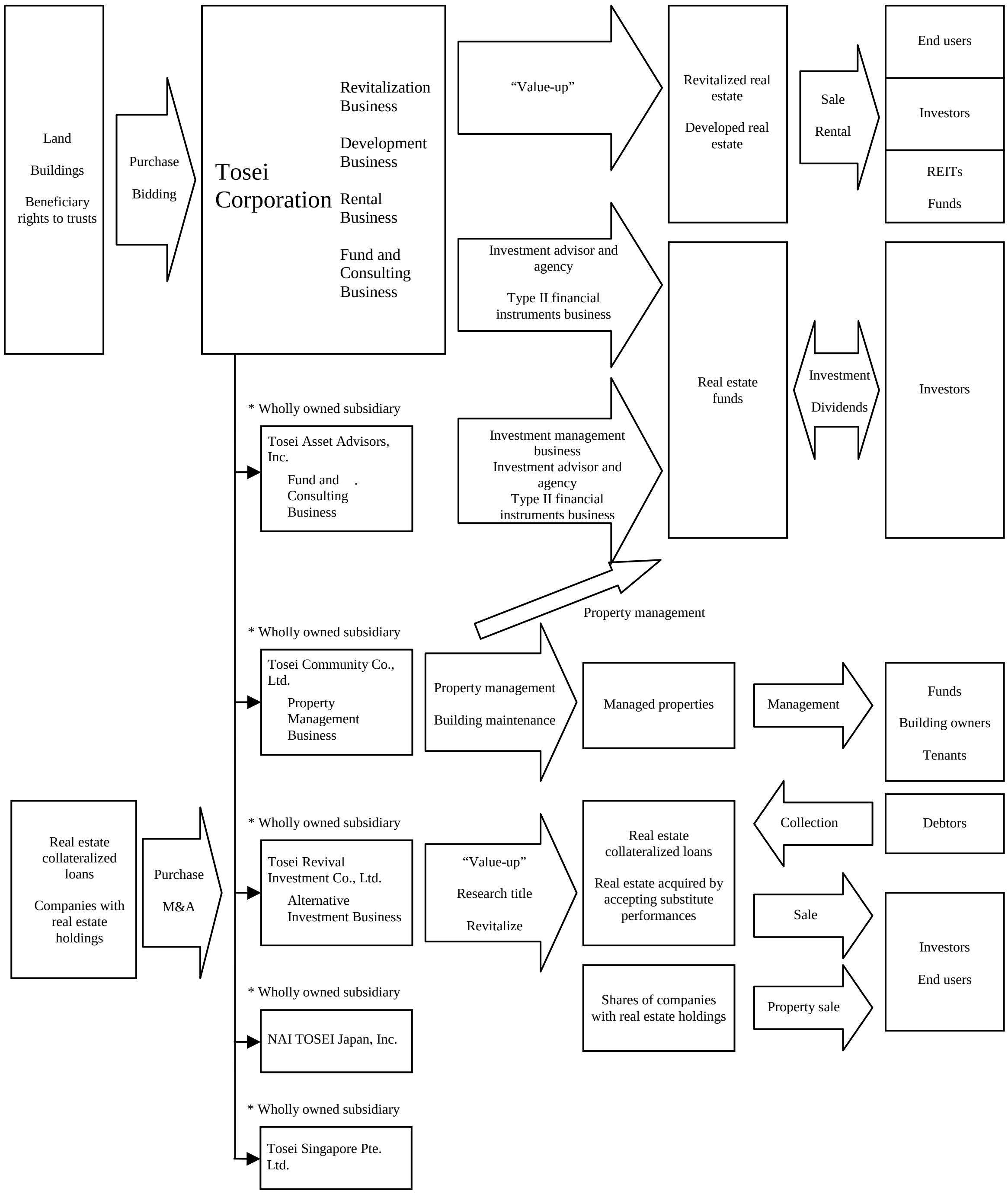
3. Business description

The Tosei Group is composed of Tosei Corporation ("Tosei" or the "Company") and 7 subsidiaries (6 consolidated subsidiaries). Its main businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business, and the Alternative Investment Business. The operations of each business segment and the main subsidiaries and/or associates conducting those operations are as follows:

Segment	Operations	Main companies
Revitalization Business	The Tosei Group acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value through "value-up plans" (*) 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 end users. In the "Restyling Business," the Group acquires income-generating condominiums and sells their units to end-users after boosting the value of common and private areas by renovation (the Group continues to hold and manage occupied units as rental properties). The Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This entails not only improving the convenience and functionality of properties but also focusing on providing satisfaction to owners and giving end users a sense of pride. (*) Plans primarily look 10 or 20 years ahead and consist of improved designs to refurbish internal and external elements that have deteriorated or become obsolete, functional improvement of facilities including refurbishment, adding new functions to premises and equipment and conversions, and boosting lease income by such means as renting out vacant space, collecting overdue rent and raising rent.	Tosei Corporation
Development Business	In the main districts of Tokyo, which form the Tosei Group's core operating area, there is a mixture of needs for office, commercial and residential space and other uses, and these different uses create significant differences between land values. Tosei 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, and then sells whole complexes or individual units. The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T's BRIGHTIA series) and mixed-use buildings, residential condominiums (the Palms series), as well as detached housing (Palms Court series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds and individual end-users.	Tosei Corporation
Rental Business	The Tosei Group has expanded the scope of its business primarily in the main districts of Tokyo by acquiring office buildings, apartment buildings, 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.	Tosei Corporation
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 such work as purchasing, selling and brokering trust beneficiary rights in accordance with a wide variety of investor needs, the Group provides advice regarding the acquisition, holding and disposition of properties, and asset management services for real estate funds that carry out discretionary investment. The Tosei Group's management approach is to provide high distributions to investors by taking full advantage of its "value-up," leasing and maintenance capabilities with the aim of maximizing rental income and reducing its own rent costs. Revenues are primarily derived from accession fees upon the purchase of properties and asset management fees for properties held.	Tosei Corporation Tosei Asset Advisors, Inc.
Property Management Business	This business carries out comprehensive property management that meets a wide variety of real estate needs including administration, facility management, cleaning and security for condominiums, office buildings and their facilities, building and equipment repair work for the private portions of condominiums and office buildings, as well as contract work of office interior renovation. In the management of condominium complexes, this business makes full use of the knowhow it has accumulated over a number of years to provide consulting and advice to condominium unit owners and condominium management associations, and provides total support to associations from their launch to helping them operate smoothly once they are started up. With respect to managing office buildings, in order to streamline the operations of building owners, the business provides meticulous management services including building maintenance	Tosei Community Co., Ltd.

Segment	Operations	Main companies
	and the management of equipment, water supply and drainage, sanitation and cleaning. The business also maintains the asset values of buildings by implementing precise maintenance plans regarding the age-related deterioration of buildings.	
Alternative Investment Business	This business invests in real estate collateralized loans and acquires collateral through collecting receivables and accepting substitute performances by negotiating with mortgaged property owners/debtors, and acquires businesses including companies with real estate holdings and real estate business operators. The business also utilizes the expertise of the Tosei Group to boost the value of the real estate it acquires before selling it.	Tosei Revival Investment Co., Ltd.

A schematic diagram of the businesses of the Tosei Group is shown below.



4. Status of subsidiaries and associates

Name	Location	Capital or investment in capital (¥ thousand)	Major lines of business	Holding rate of voting rights (%)	Relationship
Consolidated subsidiaries					
Tosei Community Co., Ltd. (Note 2)	Minato-ku, Tokyo	99,500	Property management business	100.0	Managing the Company's real estate holdings and interlocking directorate
Tosei Asset Advisors, Inc.	Minato-ku, Tokyo	100,000	Fund and consulting business	100.0	Interlocking directorate
Tosei Singapore Pte. Ltd.	Singapore	18,747	Real estate consulting business	100.0	
NAI TOSEI Japan, Inc.	Minato-ku, Tokyo	70,000	Real estate brokerage and consulting business	100.0	
Tosei Revival Investment Co., Ltd.	Minato-ku, Tokyo	50,000	Alternative investment business	100.0	Interlocking directorate
Hestia Capital Limited Company (Note 1)	Minato-ku, Tokyo	3,000	Alternative investment business	100.0 (100.0)	

Notes: 1. The figure in parentheses in the "Holding rate of voting rights" column is an indirect holding rate included in the figure outside the parentheses.

2. Net sales of Tosei Community Co., Ltd. (excluding net sales among the consolidated companies) exceed 10% of consolidated revenue. Major profit or loss information on financial statements of Tosei Community prepared in conformity with accounting principles generally accepted in Japan is shown below.

Major profit/loss information	(¥ thousand)
(1) Net sales	3,541,908
(2) Ordinary income	118,392
(3) Net income	68,954
(4) Net assets	636,051
(5) Total assets	1,606,523

5. Status of employees

(1) Consolidated companies

(As of November 30, 2013)

Segment	Number of employees (Person)	
Revitalization Business	27	[–]
Development Business	43	[–]
Rental Business	8	[–]
Fund and Consulting Business	45	[–]
Property Management Business	68	[228]
Alternative Investment Business	2	[–]
Corporate (common)	34	[–]
Total	227	[228]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this fiscal year is given in brackets separately.

2. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

(2) Filing company (Tosei)

(As of November 30, 2013)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (¥ thousand)
120	36.8	5.6	6,908

Segment	Number of employees (Person)
Revitalization Business	27
Development Business	43
Rental Business	8
Fund and Consulting Business	8
Corporate (common)	34
Total	120

Notes: 1. The number of employees indicates the number of working employees.

2. The average annual salary includes bonuses and surplus wages.

3. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

(3) Status of labor union

A labor union has not been formed. The Company maintains stable relations with its employees.

II. Review of operations

1. Overview of operating results

(1) Operating results

During the fiscal year ended November 30, 2013 (December 1, 2012 to November 30, 2013–"fiscal year under review"), the Japanese economy has shown signs of overcoming deflation such as the depreciating yen and rising share prices, supported by the bold monetary easing as well as the government's economic measures. There has also been a recovery trend in business sentiment, as mostly seen as the large corporations recording earnings growth.

In the real estate industry where Tosei Group operates, there were active transactions by J-REITs, and the total number of real estate transactions conducted by all listed companies during the first-half of the fiscal year 2013 reached the pre-Lehman Crisis level. The recovery trend of the real estate market has been further pushed by the foreign investors became increasingly proactive in investing in Japanese properties. (According to a survey by a private research institution) As for the condominium market in the greater Tokyo area, the strong demand continued on the back of the mortgage tax break, anticipation of a rise in property price, as well as last-minute demands of home buyers spurred by the scheduled consumption tax hike. Since 2010, the closing rate of sales contracts has mostly remained above 70%, which is viewed as a favorable condition, and recorded 79.6% in October 2013. (According to a survey by a private research institution)

In the office leasing market of Tokyo's five business wards, the upward trend of occupancy rate continued, and the rate of vacancy as of October 2013 became 7.56%, down 1.18 percentage points from the same month last year. The average asking rent had decreased at a slow pace until October 2013 but then picked up for the first time in 16 months, recording ¥16,237/tsubo in the same month: There is a mounting expectation for the market recovery. (According to a survey by a private research institution)

In the real estate securitization market, the J-REIT's acquisitions have largely increased, and the total amount of property acquired during the period from January to October 2013 amounted to ¥1.8 trillion, up 2.8 times in value from the same period last year. (According to a survey by a private research institution) As at the end of June 2013, the combined balance of assets managed by real estate funds hit the record ¥27.1 trillion, of which ¥10.4 trillion was accounted for by J-REITs and ¥16.7 trillion was by private placement funds. (According to a survey by a private research institution)

In such operating environment, Tosei Group has sold a total 8 of income-generating office buildings and apartments as well as 11 buildings of the Restyling properties in the Revitalization Business. Also in the Development Business, the Group has sold 1 office building and 114 units in 5 condominiums, and of the Group's primary focus, the detached house projects, it has sold 78 units in 10 sites. The revenues of both Revitalization and Development Businesses have largely exceeded that of the previous fiscal year. As a result of proactive efforts on acquisitions, the Group successfully acquired a larger number of assets, the source of its future income, than it did a year earlier. With respect to the Group's global operations, it has worked to serve as a bridge between Tokyo and overseas by taking some measures to enhance the relationship with offshore investors, such as listing on the Singapore Exchange and conducting public share offering in Singapore.

As a result, consolidated revenue for the fiscal year under review totaled ¥35,070 million (an increase of 44.9% from the previous fiscal year), operating profit was ¥3,909 million (an increase of 36.9%), profit before tax was ¥3,217 million (an increase of 45.0%), and profit for the period was ¥2,003 million (an increase of 36.7%).

Note: As from the first quarter of the fiscal year under review, the Company has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS). The year-on-year figures presented in the above business results as well as in the segment results are based on the comparisons with the consolidated financial statements of the previous fiscal year prepared according to IFRS.

Segment results were as follows. The name of "Fund Business" has been changed to the "Fund and Consulting Business." as from the first quarter of the fiscal year under review. This amendment was made only to the name of the business segment, and there was no change in the segmentation.

Revitalization Business

During the fiscal year under review, the Company sold 8 properties it had renovated, including Meguro Ekimae Tosei Building (Shinagawa-ku, Tokyo), Harajuku Mansion (Shibuya-ku, Tokyo), Kanda Urban Building (Chiyoda-ku, Tokyo), Nissei Building (Chiyoda-ku, Tokyo), and Excel TY Building (Shibuya-ku, Tokyo), as well as land and parking lots. In addition, the Company sold 89 units under its Restyling

Business such as Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa), and Estage Kaminoge (Setagaya-ku, Tokyo). Also, it acquired a total 26 properties of income-generating office buildings and apartments as well as 3 land lots for renovation and sales purposes.

As a result, revenue in this segment reached ¥11,098 million (up 85.6% year-on-year), and the segment profit was ¥1,398 million (up 411.6% year-on-year).

Development Business

During the fiscal year under review, the segment focused on the sale of condominiums and detached houses in demand. It sold 114 newly-built condominium units in THE Palms Shibuya Tokiwamatsu (Shibuya-ku, Tokyo), THE Palms Sendagaya (Shibuya-ku, Tokyo), THE Palms Tsukishima Luna Garden (Chuo-ku, Tokyo) , THE Palms Takadanobaba (Shinjuku-ku, Tokyo), and THE Palms Nishigahara (Kita-ku, Tokyo), as well as a total of 78 detached houses such as properties at Palms Court Hatsudai (Shibuya-ku, Tokyo), Palms Court Koishikawa 3-Chome (Bunkyo-ku, Tokyo) and Palms Court Setagaya Okamoto (Setagaya-ku, Tokyo). It also sold Kamata Tosei Building (Ota-ku, Tokyo) and the land lot in Motoazabu 3-Chome (Minato-ku, Tokyo). The segment acquired 2 properties for office and shop projects, 1 property for apartment project, and 13 land lots for detached house projects during the fiscal year under review.

As a result, revenue in this segment came to ¥16,347 million (up 48.8% year-on-year), and segment profit reached ¥1,447 million (down 34.1% year-on-year).

Rental Business

During the fiscal year under review, the segment sold 8 buildings of its inventory assets it holds for leasing purposes and also acquired a total 22 of income-generating office buildings and apartments. Also, it focused on leasing its non-current assets, inventories, as well as vacant units of the properties it had acquired.

As a result, revenue in this segment were ¥2,647 million (up 7.8% year-on-year), and segment profit reached ¥1,590 million (up 18.7% year-on-year).

Fund and Consulting Business

During the fiscal year under review, while the segment obtained additional ¥63,649 million of assets under management, the total AUM balance decreased by ¥126,956 million, due mainly to the property dispositions by funds. Consequently, the fee income relating to acquisitions and dispositions of properties for funds largely contributed to the revenue.

As a result, the segment revenue was ¥1,398 million (up 80.0% year-on-year), and segment profit was ¥669 million (up 268.7% year-on-year).

As of November 30, 2013, the balance of assets under management (Note) totaled ¥248,028 million.

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

Property Management Business

During the fiscal year under review, the number of properties managed by the Company including office buildings, parking lots and schools was 343, an increase of 37 from the previous fiscal year, while the number of condominiums and apartments decreased by 13 to 203 properties. The total number of properties under management came to 546, an increase of 24 from a year earlier. Further, the Company has started to also manage hotel buildings under its Property Management Business from the fiscal year under review.

As a result, revenue in this segment was ¥3,160 million (up 0.1% year-on-year), and the segment profit was ¥122 million (segment loss of the previous fiscal year totaled ¥11 million).

Alternative Investment Business

During the fiscal year under review, the segment focused on the sale of properties acquired through M&A, collection of receivables, and leasing of the properties which it had acquired by accepting a substitute performance. The segment recognized gain on the sale of properties and loans receivable, interest income, as well as rental income from the properties it acquired by accepting a substitute performance.

As a result, revenue in this segment came to ¥418 million (down 50.2% year-on-year), and the segment profit was ¥73 million (down11.3 % year-on-year).

(2) Cash flows

Cash and cash equivalents (hereinafter “cash”) as of November 30, 2013 totaled ¥14,711 million, an increase of ¥5,301 million from the end of the previous fiscal year, as a result of recording ¥3,217 million in profit before tax and the progress in the property acquisitions and sale in the Revitalization and Development Businesses.

The cash flows for the fiscal year under review and their factors are as follows:

Cash flows from operating activities

Net cash provided in operating activities totaled ¥2,772 million (net cash used in the previous fiscal year totaled ¥325 million). This is mainly due to ¥3,217 million of profit before tax as well as an increase in inventories by ¥1,118 million. The increase in inventories was because the acquisitions in the Revitalization and Development businesses progressed at a steady pace and exceeded the decrease in inventories accompanied by property sale.

Cash flows from investing activities

Net cash used by investing activities totaled ¥940 million (net cash provided in the previous fiscal year totaled ¥56 million). This is primarily due to purchase of available-for-sale financial assets totaling ¥667 million and purchase of investment properties totaling ¥525 million.

Cash flows from financing activities

Net cash provided in financing activities totaled ¥3,456 million (an increase of 162.6% from the previous fiscal year). This mainly reflected the fact that in the Revitalization and Development Businesses, the proceeds from non-current borrowings associated with property acquisitions exceeded the repayment of non-current borrowings associated with property sale, and that there was ¥1,825 million of proceeds from issuance of new shares.

(3) Parallel disclosure information

Condensed consolidated financial statements prepared in accordance with the Ordinance on Consolidated Financial Statements of Japan (excluding Chapters 7 and 8) are as follows. Condensed consolidated financial statements for the fiscal year under review have not been audited under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

(a) Condensed consolidated balance sheets

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Assets		
Current assets	49,644,062	54,097,025
Non-current assets		
Property, plant and equipment	15,027,168	16,008,392
Intangible assets	43,091	31,598
Investments and other assets	638,412	1,128,138
Total non-current assets	15,708,672	17,168,129
Total assets	65,352,734	71,265,154
Liabilities		
Current liabilities	11,420,906	10,953,425
Non-current liabilities	27,362,084	30,188,904
Total liabilities	38,782,991	41,142,330
Net assets		
Shareholders’ equity	26,573,038	30,121,475
Accumulated other comprehensive income	(3,295)	1,348
Total net assets	26,569,743	30,122,824
Total liabilities and net assets	65,352,734	71,265,154

(b) Condensed consolidated statements of operations and consolidated statements of comprehensive income

Condensed consolidated statements of operations

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Net sales	24,195,800	35,070,345
Cost of sales	18,080,935	27,758,271
Gross profit	6,114,864	7,312,074
Selling, general and administrative expenses	3,167,877	3,412,168
Operating income	2,946,987	3,899,905
Non-operating income	22,444	29,148
Non-operating expenses	646,322	823,211
Ordinary income	2,323,108	3,105,842
Extraordinary income	–	7,323
Extraordinary loss	102,061	183
Income before income taxes	2,221,046	3,112,982
Total income taxes	754,821	1,222,898
Income before minority interests	1,466,225	1,890,083
Net income	1,466,225	1,890,083

Condensed consolidated statements of comprehensive income

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Income before minority interests	1,466,225	1,890,083
Total other comprehensive income	(926)	4,644
Comprehensive income	1,465,299	1,894,728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,465,299	1,894,728

(c) Condensed consolidated statements of changes in net assets

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Total shareholders' equity		
Balance at the beginning of current period	25,335,232	26,573,038
Changes of items during the period	1,237,805	3,548,436
Balance at the end of current period	26,573,038	30,121,475
Total other comprehensive income		
Balance at the beginning of current period	(2,369)	(3,295)
Changes of items during the period	(926)	4,644
Balance at the end of current period	(3,295)	1,348
Total net assets		
Balance at the beginning of current period	25,332,863	26,569,743
Changes of items during the period	1,236,879	3,553,081
Balance at the end of current period	26,569,743	30,122,824

(d) Condensed consolidated statements of cash flows

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Net cash provided by (used in) operating activities	(325,054)	2,772,614
Net cash provided by (used in) investing activities	56,228	(940,724)
Net cash provided by (used in) financing activities	1,316,359	3,456,677
Effect of exchange rate change on cash and cash equivalents	1,399	3,770
Net increase (decrease) in cash and cash equivalents	1,104,317	5,292,338
Cash and cash equivalents at beginning of period	8,306,305	9,410,622
Increase in cash and cash equivalents from newly consolidated subsidiary	–	9,036
Cash and cash equivalents at end of period	9,410,622	14,711,997

(e) Changes in significant matters in preparing consolidated financial statements

Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
<u>Change in Depreciation Method</u> From the fiscal year under review, following the revision of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries adopted the depreciation method in accordance with the revised Corporation Tax Act for property, plant and equipment acquired on or after April 1, 2012. The impact of this change on profit and loss for the fiscal year under review was immaterial.	<u>Accounting treatment for rent income</u> Rent income during the free rent period was previously recognized as revenue after the termination of the free rent period. However, the accounting treatment for such income was changed to the method where revenue is recognized over the contract period. As a result of reviews conducted in the wake of the disclosure of consolidated financial statements under IFRS in Japan starting in the fiscal year under review, it turned out that the importance of rent income during the free rent has been growing and that in practice, rental contacts continue even after the termination of the free rent period. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group. This change in the accounting policy is applied retrospectively. The consolidated financial statements for the previous fiscal year show figures after the retrospective application. Consequently, compared with figures before the retrospective application, accounts receivable - trade increased by ¥166,305 thousand and retained earnings increased by ¥104,094 thousand in the consolidated balance sheet for the previous fiscal year, while in the consolidated statement of operations for the previous fiscal year, net sales increased by ¥11,742 thousand, ordinary income and income before income taxes each increased by ¥11,742 thousand, and net income increased by ¥11,236 thousand. Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets went up by ¥92,857 thousand after the retrospective application. <u>Accounting treatment for borrowing costs</u> Loan processing fees in borrowing costs were previously expensed as they incurred. However, the accounting treatment for such fees was changed to the method where the fees are expensed over the borrowing period. As a result of reviews conducted in the wake of the disclosure of consolidated financial statements under IFRS in Japan starting the fiscal year under review, it turned out that the importance of loan processing fees has been growing and that time distribution of these fees contributes more to appropriate periodical accounting of profit and loss. In view of this, the

Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
	change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group. This change in the accounting policy is applied retrospectively. The consolidated financial statements for the previous fiscal year show figures after the retrospective application. Consequently, compared with figures before the retrospective application, prepaid expenses increased by ¥195,722 thousand and retained earnings increased by ¥121,264 thousand in the consolidated balance sheet for the previous fiscal year, while in the consolidated statement of operations for the previous fiscal year, interest expenses decreased by ¥4,498 thousand, ordinary income and income before income taxes each increased by ¥4,498 thousand, and net income increased by ¥4,396 thousand. Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets went up by ¥116,867 thousand after the retrospective application. <u>Calculation method for retirement benefit obligations</u> Previously, a simplified method was used in the calculation of retirement benefit obligations. However, the calculation method was changed to the principle method, starting the fiscal year under review. As a result of reviews conducted in the wake of the disclosure of consolidated financial statements under IFRS in Japan starting the fiscal year under review, the change was made to reconsider a more reasonable method for calculating retirement benefit obligations in order to perform appropriate periodical accounting of profit and loss, and unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group. This change in the accounting policy is applied retrospectively. The consolidated financial statements for the previous fiscal year show figures after the retrospective application. Consequently, compared with figures before the retrospective application, provision for retirement benefits increased by ¥65,769 thousand and retained earnings decreased by ¥41,965 thousand in the consolidated balance sheet for the previous fiscal year, while in the consolidated statement of operations for the previous fiscal year, selling, general and administrative expenses increased by

Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
	¥7,344 thousand, ordinary income and income before income taxes each decreased by ¥7,344 thousand, and net income decreased by ¥7,544 thousand. Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets went down by ¥34,421 thousand after the retrospective application. <u>Accounting treatment for properties for sale</u> Accounting treatment for properties for sale was changed in the wake of the disclosure of consolidated financial statements under IFRS starting the fiscal year under review. (1) Cost allocation method for properties for sale Properties for sale were previously depreciated. However, the accounting treatment for such properties was changed to the method where the properties are not depreciated, starting the fiscal year under review. Because depreciation factors during the holding period are appropriately reflected in the book values of properties for sale by applying the "Accounting Standard for Measurement of Inventories," it is more appropriate in periodical accounting of profit and loss not to depreciate these properties. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group. (2) Accounting method for borrowing costs Borrowing costs were previously expensed as they were paid. However, the accounting treatment for such costs was changed to the method where part of borrowing costs for certain properties for sale are recorded as assets, starting the fiscal year under review. As for borrowings, since the Company usually raises funds for each property independently, and the borrowing costs are different in nature from general interest expenses and have a character of important cost element, it is more appropriate in periodical accounting of profit and loss to capitalize these costs. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group. (3) Accounting method for advertising expenses, etc. on properties for sale Advertising expenses, etc. on properties for sale were previously expensed at the time of sale of the relevant property. However, the accounting

Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
	treatment was changed to the method where such expenses are expensed as they incurred, starting the fiscal year under review. Advertising expenses and revenue have become less and less linked in recent years. Additionally, as a result of strict review of advertising expenses, etc. in terms of nature as assets, it turned out that expensing these expenses as they incur contributes more to appropriate periodical accounting of profit and loss. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group. These changes in accounting treatment for properties for sale described in (1) through (3) above are applied retrospectively. The consolidated financial statements for the previous fiscal year show figures after the retrospective application. Consequently, compared with figures before the retrospective application, properties for sale increased by ¥323,842 thousand, properties for sale in process decreased by ¥84,611 thousand and retained earnings increased by ¥252,890 thousand in the consolidated balance sheet for the previous fiscal year, while in the consolidated statement of operations for the previous fiscal year, cost of sales increased by ¥90,389 thousand, interest expenses decreased by ¥127,805 thousand, ordinary income and income before income taxes each increased by ¥37,416 thousand, and net income increased by ¥48,259 thousand. Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets went up by ¥204,631 thousand after the retrospective application.

(4) Differences between major items in consolidated financial statements prepared under IFRS and equivalent items in consolidated financial statements that would have been prepared in accordance with the Ordinance on Consolidated Financial Statements of Japan (excluding Chapters 7 and 8)

Accounting treatment for share issuance cost

Previously share issuance cost was fully expensed when incurred under Japanese GAAP. However, such cost is deducted from equity under IFRS.

Due to this effect, share issuance costs in the fiscal year under review decreased by ¥107,900 thousand compared with those under Japanese GAAP (no share issuance cost was incurred in the previous fiscal year).

Accounting treatment for accrued compensated absences payable

Under IFRS, the estimated amount of paid absences of the Company and some subsidiaries is recorded as obligations.

Due to this effect, accrued compensated absences payable (selling, general and administrative expenses) in the previous fiscal year and the fiscal year under review increased by ¥1,372 thousand and

¥2,781 thousand, respectively, compared with those under Japanese GAAP.

Reclassification of presentation

While non-operating income and expense items other than financial income and expenses, and extraordinary income and loss items are not included in operating income and expenses under Japanese GAAP, these items are included in operating income and expenses under IFRS.

2. Status of production, orders received and sales

(1) Actual production

As the Tosei Group's principle business activities are revitalization, development, rental, fund and consulting, property management and alternative investment businesses, it is difficult to define "actual production." Accordingly, the Company does not report actual production.

(2) Actual orders received

As the Tosei Group does not receive orders for production, the Company does not report actual orders received.

(3) Actual sales

Consolidated actual sales for each segment in the fiscal year under review are shown below.

Segment	Fiscal year ended November 30, 2013	Comparison with the previous fiscal year (%)
	Amount (¥ thousand)	
Revitalization Business	11,098,020	85.6
Development Business	16,347,700	48.8
Rental Business	2,647,153	7.8
Fund and Consulting Business	1,398,239	80.0
Property Management Business	3,160,312	0.1
Alternative Investment Business	418,918	(50.2)
Total	35,070,345	44.9

Notes: 1. Transactions between segments were eliminated.

2. The above amounts do not include consumption taxes.

3. Issues to be addressed

(1) Description of present issues to be addressed

As of the end of the fiscal year under review, the following issues have been identified as needing to be addressed.

The transactions of income-generating real estate has rebounded from the downturn caused by the Lehman Crisis, and the housing market targeting end-users residing in the greater Tokyo area currently remains strong. While there are upward trends in property trading price and construction cost supported by the improvement in market confidence, there also are some economic factors such as the scheduled consumption tax hike and that the actual rise in pay rate is expected to require a certain time until it is put into effect. Under such circumstances, the Group sees its most important task is to carefully monitor the supply-and-demand balance of the market and optimize the allocation of its investments. It will endeavor to create the value necessary to ensure the appropriate profits from acquisitions of pre-owned properties for renovation and land lots for home/office development, and also from sale of such renovated/developed properties.

Further, in order to respond to the increase in the numbers of transactions and rental properties associated with the Group's business expansion, the Group reorganized its Business Division (Asset Solution Departments) effective December 1, 2013. It recognizes the other important task for the Group is to more efficiently conduct the each process of acquisition, renovation, development, leasing, and sale, with its restructured organization. At the same time, the Group as a listed company will continue to reinforce its governance, by emphasizing its three main focuses: compliance, risk management, and timely and appropriate information disclosure.

(2) Basic policy regarding the persons who control decisions on the Company's financial and business policies

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.

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

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

b. Overview of special measures to realize the basic policy

Because the Tosei Group was fully aware of the fact that as a listed company on the First Section of the Tokyo Stock Exchange it would be required to demonstrate even higher standards of behavior, dignity and the like from external parties in the future, the Group, aiming to move to the next stage, established a new medium-term management plan called “Next Stage 2014” (the targeted period of the plan is three years from December 2011 to November 2014) and commenced its efforts under the plan from the 62nd term. Under this medium-term management plan, although the Group faces an external environment that is dramatically changing due to the financial crisis and the Great East Japan Earthquake, in order to realize further progress as a company intending to make continuous innovation, the Group will create new value and inspiration in all aspects of real estate in a wider business field than in the past by (i) further strengthening each segment currently owned by the Company group including expansion of the business for end users in Japan, (ii) making new steps toward starting business abroad with broader global perspectives and (iii) reform its management infrastructure.

The Company group has previously taken measures to strengthen corporate governance, such as the appointment of an outside directors (two members), the invitation of all audit & supervisory board members (four members) from outside the company, the notification of two outside directors and four outside audit & supervisory board members (six members in total) as “independent directors/auditors” in accordance with the “Principles of Corporate Governance for Listed Companies” of the Tokyo Stock Exchange, the reinforcement of the business execution function by the introduction of the executive officer system, and the establishment of the corporate governance board, and will in the future endeavor to further strengthen corporate governance as a listed company on the First Section of the Tokyo Stock Exchange. Specifically, the Company group will focus on putting into practice actions based on a high-level awareness of compliance through raising awareness from the level of “role model” to that of “ideal” in accordance with the Compliance Principles of the Company, thorough implementation of risk management by correctly understanding and analyzing risks involved in corporate activities, continuous performance of accountability to various stakeholders including investors by promptly publicly disclosing correct corporate information under the spirit of fair disclosure, and other efforts for strengthening corporate governance.

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

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

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

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

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

When (i) the acquisition is not in compliance with the procedures prescribed in the plan or (ii) it threatens to cause obvious harm to the corporate value of the Company, and, in turn, to the common interests of shareholders, (iii) and it is reasonable to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the acquirer to exercise the rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer. The Company's board of directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of the gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. If the procedures for the plan have commenced, the acquirer must not effect an acquisition until and unless the Company's board of directors resolves not to trigger the plan. The effective period of the plan expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years after the conclusion of the 62nd Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

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

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

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

4. Business and other risks

Risks that have the potential to affect the performance, share price and financial position of the Tosei Group include, but are not limited to, the issues discussed below. Forward-looking statements are based on Tosei Group judgments as of November 30, 2013. The Tosei Group maintains a policy of recognizing the potential for risks to occur and working to preclude them or manage them if they arise.

(1) Business environment

1) Revitalization Business and Development Business

(i) Effects of real estate market conditions

The Tosei Group's core revitalization and development businesses purchase properties on their own account, and typically take several months to two years until they sell the properties after increasing their value or developing them. During that time, changes in the macro economy, such as trends in land prices, interest rates and fiscal policy, may occur, and any resulting deterioration of conditions in the real estate market could have an impact on the Tosei Group's operating results and financial position.

(ii) Fluctuation in business results due to timing of property transfer

These two businesses book property sales amounts as sales, and therefore the amount per transaction is large. In addition, because the two businesses book sales upon transfer basis of the property, any delay in transferring the property could affect the Tosei Group's operating results and financial position. In particular, the presence or absence of transfers of large-scale properties in every quarter could cause a considerable fluctuation in sales and income.

(iii) Construction delays and increased construction costs due to natural disasters, etc.

The Tosei Group makes efforts to draw up a rational yearly budget using the buildup method based on concrete purchasing and sales plans. However, construction delays and the accompanying increase in construction/renovation costs due to natural disasters or other unforeseen events, a rise in construction cost due to growing construction demand and other factors have the potential to affect the Tosei Group's operating results and financial position.

(iv) Application of accounting standard for measurement of inventories

The Tosei Group adopts IAS 2 "Inventories" (ASBJ Statement No. 9 "Accounting Standard for Measurement of Inventories" for the non-consolidated financial statements) for inventories held for sale. As a result, inventories held at year-end are written down if fair value (net realizable value) is lower than acquisition cost, and the loss on the write-down of the difference is then charged as the cost of sales. In the future, the Tosei Group will lower the book values of inventories if fair value (net realizable value) is lower than acquisition cost due to deterioration in financial or real estate market conditions or other cause, and the resulting loss could have an impact on the Tosei Group's operating results and financial position.

2) Rental Business

In the rental business of the Tosei Group, changes in general economic conditions or interest rates, the emergence of competing properties, or the occurrence of declines in rental fees or large numbers of vacancies or other events have the potential to affect the Tosei Group's operating results and financial position.

3) Fund and Consulting Business

(i) Management performance of funds

The fund and consulting business, which plays a significant role in the growth and positioning of the Tosei Group, earns fees in compensation for asset management including locating real estate properties that match the needs of investors, raising their value, conducting lease-up activities and then selling them. Therefore, asset management advisory and other capabilities play a role in the performance of the real estate funds, and the Tosei Group has accumulated expertise in both real estate and finance. Tosei's reputation as an asset management company may decline, which could have an impact on the Tosei Group's operating results and financial position in the event that rental conditions or other aspects of the real estate properties which Tosei provides discretionary investment, management and advises on do not achieve the performance expected by investors.

(ii) Changes in investor trends due to fiscal policy, etc.

Real estate funds are one means of investment, and the Tosei Group's operating results and financial position could be affected if investors withdraw from or refrain from investing in real estate funds due to changes in fiscal policies or the macro economy, or if funds can no longer continue due to funding problems.

(iii) Compensation in connection with non-recourse loans

A special purpose company operated by a real estate fund that is managed by the Tosei Group may borrow funds via a non-recourse loan (debt can only be collected from income and sale proceeds of underlying real estate collateral. Also known as a limited recourse loan) when acquiring real estate. In this case, the Tosei Group, in its capacity as asset manager, may be held liable to compensate for damages, etc. incurred by the lender on the grounds of fraud or unlawful acts, environmental pollution or other incident resulting from willful intent or gross negligence by interested parties on the borrower side such as the borrower or the asset manager, in connection with the non-recourse loan. This liability is generally no guarantee of performance of the loan obligation but if such damage did occur as a result of gross negligence on the part of the Tosei Group, the Company or the Tosei Group may assume liability for compensation.

4) Property Management Business

(i) Decline of property management fees

Property management fees for condominiums and office buildings are continuing their downward trend due to increasing competition with other companies and cost-reduction pressure from customers. The Tosei Group has been making efforts to raise efficiency and cut management contracting costs, but further reductions in property management fee or a surge in contract cancellations have the potential to affect the Tosei Group's operating results and financial position.

(ii) Workplace accidents, etc.

The Tosei Group has obtained ISO 9001 certification for its business execution and provision of services. Although the Group is striving to enhance its business quality and services, unpredictable workplace accidents, defects in construction or facilities, problems with services, or other incidents have the potential to affect the Tosei Group's operating results and financial position.

5) Alternative Investment Business

The alternative investment business, primarily purchases real estate collateralized loans and invests in M&As of real estate-owning companies. However, the inability to acquire real estate-collateralized loans in a shrinking market for non-performing loans, the stagnation in M&As of real estate-owning companies to take place, or the inability to recover capital invested in acquired loans or companies as planned have the potential to affect the operating results and financial position of the Tosei Group

(2) Dependency on interest-bearing debt and interest rate trend

The Tosei Group procures debt financing, primarily from financial institutions, on a project-by-project basis, to fund expenses associated with business activities including acquisition of land and buildings and construction. Consequently, the ratio of interest-bearing debt to total assets is consistently at a certain level. Increases in interest rates increase fund procurement costs, and therefore have the potential to affect the Tosei Group's operating results and financial position.

In addition, lump-sum repayments due to conflicts with financial covenants on some loans, delays of project sales, and lower-than-expected sales revenues also have the potential to affect the operating results and financial position of the Tosei Group.

In procuring funds, the Tosei Group negotiates with multiple financial institutions to obtain the best financing terms. Unexpected changes in the operating environment and other factors that might impede access to funding could delay or suspend projects or render them untenable, which could affect the operating results and financial position of the Tosei Group.

<Changes in balance of interest-bearing debt>

Term	60th term	61st term	62nd term	63rd term	64th term
Accounting period	Fiscal year ended Nov. 30, 2009	Fiscal year ended Nov. 30, 2010	Fiscal year ended Nov. 30, 2011	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013
Balance of interest-bearing debt (¥ million)	35,296	34,264	30,075	32,401	35,036
Total assets (¥ million)	62,235	62,682	59,967	65,363	71,276
LTV (%)	56.7	54.7	50.2	49.6	49.2

Note: As from the 64th term, Tosei has adopted IFRS for the figures above for the 64th term are based on IFRS. In addition, the figures above for the 63rd term are also based on IFRS.

(3) Business areas

1) Competitive conditions

The Tosei Group's primary market is the 23 wards of Tokyo, and the Group sells small and medium-sized income-generating properties, condominiums for end users and detached houses. The Group has flexibly mobilized the information and know-how of its six businesses to conduct synergistic business operations. However, declines in selling prices of properties due to price competition, which may be caused by the decline in real estate transactions, deterioration of foreign investment, a slowdown in housing demand due mainly to the economic downturn, in particular, have the potential to affect the operating results and financial position of the Group.

2) Occurrence of disasters

The occurrence of a natural disaster such as a major earthquake in Tokyo, which is believed likely to happen in the future, destructive storm or flood, or a human disaster such as war, terrorism or fire, could cause substantial losses in the value of the real estate the Group invests in, manages, develops and controls, and therefore has the potential to affect the Tosei Group's results and financial position.

(4) Legal regulations

1) Legal regulations

In addition to the regulations in the Companies Act and the regulations in the Financial Instruments and Exchange Act that apply to listed companies, the main legal regulations pertaining to the businesses of the Tosei Group are as follows.

If these legal regulations are strengthened in the future, the cost of legal compliance measures could increase.

Main legal regulations
• Building Lots and Buildings Transaction Business Act • National Land Use Planning Act • City Planning Act • Building Standards Act • Construction Business Act • Act on Architects and Building Engineers • Housing Quality Assurance Act • Financial Instruments and Exchange Act • Act on Sales, etc. of Financial Products • Real Estate Specified Joint Enterprise Act • Trust Business Act • Act on Investment Trust and Investment Corporations • Act on Securitization of Assets • Real Estate Investment Advisory Business Registration Rules • Act on Assurance of Performance of Specified Housing Defect Warranty • Act on Prevention of Transfer of Criminal Proceeds • Act on Advancement of Proper Condominium Management • Act on Maintenance of Sanitation in Buildings • Security Services Act • Fire and Disaster Management Act • Act on the Rational Use of Energy • Money Lending Business Act

2) Licenses and permits, etc.

The Tosei Group's businesses have obtained the following related licenses and permits in accordance with the laws listed above. As Tosei Group works to observe the current requirements imposed by administrative laws and local ordinances, there has not been any issue that could result in the revocation of licenses or permits. However, the business activities of the Group could profoundly be affected in the event that revocation of licenses or permits occurred or a situation such as suspension of operating activities for a certain period arises due to violation of laws and regulations.

Moreover, if the Tosei Group's business activities are restricted by the strengthening of the above regulations or the introduction of new regulations, the operating results or financial position of the Group could be affected.

Tosei Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (12) No. 24043	March 23, 2017	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Investment Advisory Business Registration	Minister of Land, Infrastructure, Transport and Tourism	General–127	February 28, 2016	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 30 of the Real Estate Investment Advisory Business Registration Rules)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–24) No. 107905	December 9, 2017	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration (No. 46219)	April 9, 2016	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Real Estate Specific Joint Enterprise Permit	Governor of Tokyo	Tokyo Governor, No. 58	–	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Type 2 Financial Instrument Business, Advisor and Agency)	Kanto Financial Bureau	Kanto Financial Bureau Chief (Financial Instruments) No. 898	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)

Tosei Asset Advisors, Inc.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (2) No. 85736	April 7, 2016	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Registered Financial Instrument Business (Investment Management Business, Type 2 Financial Instrument Business, Advisor and Agency)	Kanto Financial Bureau	Kanto Financial Bureau Chief (Financial Instruments) No. 363	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
License for discretionary proxy in realty trading	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism No. 52	–	When the authorization has been obtained through wrongful means, or damages have been caused to another party in the course of business, the authorization shall be rescinded. (Article 67-2 of the Building Lots and Buildings Transaction Business Act)

Tosei Community Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (3) No. 80048	September 28, 2016	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
General Construction Building License	Governor of Tokyo	Tokyo Governor's License (General–24) No. 119534	March 10, 2018	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in general construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–24) No. 119534	March 10, 2018	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration (No. 49526)	January 14, 2019	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Condominium Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (3) No. 030488	May 21, 2017	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 83 of the Act on Advancement of Proper Condominium Management)
Building Environmental Health Comprehensive Management Company	Governor of Tokyo	Tokyo Governor's License (Comprehensive 19) No. 273	October 3, 2019	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 12-4 of the Act on Maintenance of Sanitation in Buildings)
Security Service License	Tokyo Public Safety Commissioner	Security Service Law Authorization No. 30002591	October 14, 2016	When the recognition has been obtained through wrongful means, or the provisions of causes for disqualification are applicable, the recognition shall be rescinded. (Article 8 of the Security Services Act)

Tosei Revival Investment Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (2) No. 88903	February 22, 2018	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Money Lending Business Registration	Governor of Tokyo	Tokyo Governor, (2) No. 31311	March 16, 2016	When the registration has been made through wrongful means, or the provisions of causes for disqualification are applicable, the registration shall be rescinded. (Article 24-6-5 of the Money Lending Business Act)

NAI TOSEI Japan, Inc.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No. 94116	April 13, 2017	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

3) Accounting standards and tax system

(i) Changes in accounting standards and the real estate tax system

Changes regarding accounting standards and the real estate tax system could cause increases in the cost of holding, acquiring and selling assets, and therefore have the potential to affect the operating results and financial position of the Tosei Group.

(ii) Scope of consolidation of real estate funds

Consolidation or non-consolidation of real estate funds in which Tosei conducts asset management is determined individually on the basis of the extent of Tosei's control over and influence on the investment partnership. Changes in interpretation of consolidation that affect accounting auditors' opinions and cause a change in the scope of consolidation of the Tosei Group have the potential to affect the operating results and financial position of the Tosei Group.

(5) Defect liability and after-sale service warranty

Under the Building Lots and Buildings Transaction Business Act, real estate business operators assume defect liability when they sell a property to parties other than real estate businesses, regardless of whether the property is new or second-hand. Under the Housing Quality Assurance Act, real estate business operators are obligated to provide a 10-year warranty on the main structural components of the building for new properties. The Law for Execution of Warranty against Housing Defects, which came into effect on October 1, 2009, requires businesses providing new properties to take out insurance that any of insurance companies designated by the Minister of Land, Infrastructure, Transport and Tourism offers on new properties, etc. In addition, the Tosei Group provides customers with an after-sale service warranty (valid for 1–10 years, depending on the item) according to the Group's "After-Sale Service Standards."

The Tosei Group conducts quality checks through its Architectural Design and Planning Department, and also works to mitigate business risks by taking measures such as requiring vendors and construction companies to provide an after-sale service warranty equivalent to that of the Tosei Group. However, if for some reason a defect arises in a property supplied by the Tosei Group, and the Group is unable to impose the defect liability on the vendor, or the vendor and contractor is incapable of fulfilling the warranty, the Tosei Group would incur additional expenses, which have the potential to affect the operating results and financial position of the Tosei Group.

(6) Human resources

Because of the characteristics of the Tosei Group's businesses, people are an extremely important management resource, and further securing competent personnel, educating them to master Tosei's unique competencies and developing management candidates are essential to continue and expand business. The inability of the Tosei Group to secure or train the personnel that it requires, or the departure of management currently in office, has the potential to affect the operating results and financial position of the Tosei Group.

(7) Personal information protection

In its revitalization business, development business, rental business, fund and consulting business, property management business and alternative investment business, the Tosei Group holds the personal information of many customers, including persons involved in these businesses. The volume of personal information the Group holds is expected to increase along with future business expansion. In line with the Act on the Protection of Personal Information, the Group has established regulations for managing information assets, trained its employees, strengthened its information management system and taken thorough measures to manage personal information. However, the release or leak of personal information or material corporate information held by the Tosei Group to outside parties due to unforeseen circumstances could cause a loss of trust in the Tosei Group, and thus have the potential to affect the Group's operating results and financial position.

(8) Other

When purchasing a second-hand property, the Tosei Group surveys the building's structure, use of asbestos, soil pollution and other elements. However, business execution may be temporarily suspended or prolonged if, for example, a building's structural design data has not been saved, a building that contains asbestos is demolished, or the results of the soil pollution survey show that soil improvement is necessary. Such suspension of business has the potential to affect the operating results and financial position of the Tosei Group.

5. Important operational contracts, etc.

None

6. Research and development activities

None

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

Analysis of financial position, operating results and cash flows for the fiscal year ended November 30, 2013 is as follows. The Tosei Group discloses the consolidated financial statements in compliance with IFRS starting the fiscal year under review. To reflect this change, comparisons with the end of the previous fiscal year or with the previous fiscal year in the following analysis are comparisons with the consolidated financial statements for the previous fiscal year prepared in compliance with IFRS.

Forward-looking statements included in this section are based on information available to the Group's management as of November 30, 2013.

(1) Significant accounting policies and estimates

The financial statements of the Tosei Group are prepared in accordance with IFRS. For significant accounting policies and estimates for the presentation of these consolidated financial statements, please refer to "3. Significant accounting policies" and "4. Significant accounting estimates and decision making requiring estimates" in "V. Accounting, 1. Consolidated financial statements, etc., Notes to Consolidated Financial Statements."

(2) Analysis of financial position

The consolidated financial position as of November 30, 2013 was as follows. Total assets increased 9.0% compared with the end of the previous fiscal year to ¥71,276 million, liabilities rose 6.1% to ¥41,174 million, and equity rose 13.4% to ¥30,102 million. The ratio of equity attributable to owners of the parent to total assets was 42.2%, compared with 40.6% at the end of the previous fiscal year.

<u>Current assets</u>

As of November 30, 2013, the balance of current assets was ¥53,679 million, an increase of ¥4,934 million compared with the end of the previous fiscal year. This was mainly attributable to a ¥5,301 million increase in cash and cash equivalents, which were due to favorable sales in the Tosei Group's mainstay Revitalization Business and Real Estate Development Business.

<u>Non-current assets</u>

As of November 30, 2013, the balance of non-current assets was ¥17,597 million, up ¥979 million compared with the end of the previous fiscal year. This was mainly due to a ¥1,007 million increase in investment properties.

Current liabilities

As of November 30, 2013, the balance of current liabilities was ¥10,985 million, down ¥298 million compared with the end of the previous fiscal year. This was mainly due to a ¥990 million decrease in trade and other payables.

Non-current liabilities

As of November 30, 2013, the balance of non-current liabilities was ¥30,188 million, up ¥2,653 million compared with the end of the previous fiscal year. This was mainly due to a ¥2,789 million increase in long-term interest bearing debt.

Equity

As of November 30, 2013, equity was ¥30,102 million, an increase of ¥3,558 million compared with the end of the previous fiscal year. This was mainly due to a ¥1,728 million increase in retained earnings and the issuance of shares by overseas public offering on the Singapore Exchange .

The use of the net proceeds from issuance of new shares on the Singapore Exchange and its details as of November 30, 2013 are as follows:

1. Use of placement proceeds

(¥ thousand)

Total amount raised in July 2013	1,933,438
Total amount utilized from the proceeds (As of Nov. 30, 2013)	1,177,770
Balance proceeds	755,667

2. Details of use of proceeds

(¥ thousand)

Revitalization Business			
Acquisition cost of residential property in Sendagi (partial)	Bunkyo-ku, Tokyo	Apartment	95,500
Acquisition cost of residential property in Shonan (partial)	Fujisawa-shi, Kanagawa	Apartment	29,864
Acquisition cost of residential property in Kokubunji (partial)	Kokubunji-shi, Tokyo	Apartment	234,785
Total			360,149
Development Business			
Construction cost of THE Palms Nishigahara (partial)	Kita-ku, Tokyo	Condominium	384,250
Construction cost of Palms Court Minamiasagaya (partial)	Suginami-ku, Tokyo	Detached house	22,684
Total			406,934
Fund and Consulting Business			
Co-equity investment in preferred equity of Tokumei Kumiai (silent partnership) of a private fund			50,000
Co-equity investment in a private fund (partial)			360,687
Total			410,687
Total amount utilized for the period up until November 30, 2013			1,177,770

(3) Analysis of operating results

For the fiscal year under review, operating results were as follows. Revenue rose 44.9% year on year to ¥35,070 million, profit before tax rose 45.0% to ¥3,217 million, and profit for the year rose 36.7% to ¥2,003 million.

Revenue

In the fiscal year under review, revenue was ¥35,070 million, an increase of ¥10,874 million compared with the previous fiscal year. For revenue by segment, please refer to "(1) Operating results" in "II. Review of operations, 1. Overview of operating results."

Cost of revenue and gross profit

In the fiscal year under review, cost of revenue was ¥27,759 million, up ¥9,677 million compared with the previous fiscal year due to an increase in revenue.

As a result, gross profit was ¥7,311 million, an increase of ¥1,197 million compared with the previous fiscal year.

The gross profit margin was 20.8%, down from 25.3% in the previous fiscal year.

Selling, general and administrative expenses and operating profit

In the fiscal year under review, selling, general and administrative expenses were ¥3,414 million, an increase of ¥169 million compared with the previous fiscal year. This was mainly due to a ¥77 million increase in personnel expenses.

As a result, operating profit in the fiscal year under review was ¥3,909 million, an increase of ¥1,052 million compared with the previous fiscal year.

Profit before tax

In the fiscal year under review, finance income, which was comprised mainly of interest and dividends income, was ¥3 million, a decrease of ¥1 million compared with the previous fiscal year. Finance costs, mainly interest expenses, were ¥695 million, an increase of ¥53 million compared with the previous fiscal year.

As a result, profit before tax in the fiscal year under review was ¥3,217 million, an increase of ¥998 million compared with the previous fiscal year.

Income tax expense and profit for the year

In the fiscal year under review, income tax expense were ¥1,213 million, an increase of ¥460 million compared with the previous fiscal year.

As a result, profit for the year was ¥2,003 million, an increase of ¥538 million compared with the previous fiscal year.

(4) Analysis of cash flows

For the cash flows for the fiscal year under review, please refer to “2 Cash flows” in “II. Review of operations, 1. Overview of operating results.”

In addition, trends of cash-flow indicators are shown below.

	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013
Ratio of equity attributable to owners of parent to total assets (%)	40.6	42.2
Market value ratio of equity attributable to owners of parent to total assets (%)	25.1	52.6
Interest-bearing debt to cash flow ratio (years)	–	12.6
Interest coverage ratio (times)	–	3.8

Ratio of equity attributable to owners of parent to total assets:	Equity attributable to owners of parent to total assets / Total assets
Market value ratio of equity attributable to owners of parent to total assets:	Market capitalization / Total assets
Interest-bearing debt to cash flow ratio:	Interest-bearing debt /Cash flows
Interest coverage ratio:	Cash flows / Interest expenses

Notes: 1. All indicators are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares, excluding treasury shares.
3. The figures for cash flows employ net cash from operating activities.
4. Interest-bearing debt includes all debt recorded in the consolidated statement of financial position on which interest is paid.
5. Interest-bearing debt to cash flows ratio and interest coverage ratio are not presented for the fiscal year ended November 30, 2012 because net cash used in operating activities was recorded in the consolidated statements of cash flows for the said fiscal year.

(5) Issue recognition of the management and future policies

The Group aspires to continue to be a group of companies that make a meaningful contribution to all their stakeholders by promptly and accurately responding to changes in the management environment and continually carrying out business activities that enable the Group to achieve sound growth. To this end, it recognizes the most important task for the Group is to strive to maintain the sound financial condition and steadily enhance business results.

As of the end of the fiscal year under review, the Group recognizes i) a rise in property trading price and construction cost supported by the improvement in business confidence, ii) an increase in the number of sales of properties held by real estate funds due to a recovery in real estate market conditions and the resultant decrease in assets under management, iii) reorganization of the operation system to respond to increases in the number of sales transactions and in the rental properties held and buildings under management, etc.

In order to address such issues, the Group reviewed and reorganized the operating structures in the Company and group companies on December 1, 2013. It plans to efficiently seize business opportunities and conduct thorough cost management with an aim to continue to increase both revenue and profits.

III. Facilities

1. Outline of capital expenditures

In the fiscal year ended November 30, 2013, we made capital expenditures totaling ¥536 million. A major portion of this amount was due to acquisition of investment properties.

During the fiscal year under review, there were no material transactions related to the retirement or sale etc. of facilities.

2. Main facilities

(1) Filing company (Tosei)

(As of November 30, 2013)

Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
			Buildings and structures	Land (Size m^2)	Other	Total	
Head office (Minato-ku, Tokyo)	Supervising administration facilities	Office facilities	1,043,636	2,219,719 (633.53)	32,314	3,295,669	120
Leasing properties (14 properties in Chiyoda-ku, Tokyo, etc.)	Rental Business	Rental buildings, stores, etc.	3,329,382	7,813,326 (13,812.61)	1,819	11,144,528	–
Total	–	–	4,373,018	10,033,045 (14,446.14)	34,133	14,440,198	120

Note: The above amounts do not include consumption taxes.

(2) Domestic subsidiaries

(As of November 30, 2013)

Company name	Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
				Buildings and structures	Land (Size m^2)	Other	Total	
Tosei Community Co., Ltd.	Leasing properties (2 properties in Arakawa-ku, Tokyo, etc.)	Property Management Business	Apartment	183,882	331,755 (657.47)	–	515,638	–
Tosei Revival Investment Co., Ltd.	Leasing properties (2 properties in Arakawa-ku, Tokyo, etc.)	Alternative Investment Business	Rental building	366,652	330,149 (592.19)	87	696,888	–

Note: The above amounts do not include consumption taxes.

3. Plans for new installation and retirement of facilities

None

IV. Filing company

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

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized (Share)
Ordinary shares	150,000,000
Total	150,000,000

b. Number of shares issued

Class	Number of shares issued (Share; as of Nov. 30, 2013)	Number of shares issued (Share; as of the date of filing: Feb. 28, 2014)	Name of financial instruments exchange where shares of Tosei are traded or name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,284,000	48,284,000	Tokyo Stock Exchange (First Section) and Main Board of Singapore Exchange	Share unit number: 100 shares
Total	48,284,000	48,284,000	–	–

(2) Status of stock acquisition rights

None

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

None

(4) Details of rights plan

None

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

Date	Fluctuation in the number of shares issued (Shares)	Balance of shares issued (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in legal capital surplus (¥ thousand)	Balance of legal capital surplus (¥ thousand)
Dec. 1, 2008 to Nov. 30, 2009 (Note 1)	19,000	395,840	304,787	4,452,807	304,787	4,536,283
Dec. 1, 2009 to Nov. 30, 2010 (Note 1)	61,000	456,840	1,001,866	5,454,673	1,001,866	5,538,149
July 1, 2013 (Note 2)	45,227,160	45,684,000	–	5,454,673	–	5,538,149
July 25, 2013 (Note 3)	2,600,000	48,284,000	966,719	6,421,392	966,719	6,504,868

Notes: 1. The increases were due to the exercise of stock acquisition rights.
2. This is attributable to the share split-up (100 shares for 1 ordinary share).
3. Paid-in public offering

Issue price	¥743.63
Amount capitalized	¥371.815
Total paid-in amount	¥1,933,438 thousand

(6) Shareholder composition

(As of November 30, 2013)

Category	Shareholder composition (Share unit number: 100 shares)								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	–	23	39	69	105	11	8,709	8,956	–
Number of shares held (Unit)	–	99,215	16,400	64,526	66,812	163	235,715	482,831	900
Holding rate of shares (%)	–	20.55	3.40	13.36	13.84	0.03	48.82	100.00	–

Notes: 1. The number of "Other corporations" includes 400 shares in the name of Japan Securities Depository Center, Inc.
2. Effective July 1, 2013, the Company adopted a unit share system under which 100 shares constitute a share unit based on the resolution at a meeting of the Board of Directors held on June 5, 2013.

(7) Status of major shareholders

(As of November 30, 2013)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in total number of shares issued (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500	26.68
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.42
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	3,624,800	7.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	3,143,300	6.51
BNP Paribas New York Branch - Prime Brokerage Clearance Account (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	787 7TH AVENUE, NEW YORK, NEW YORK, USA (3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	1,337,800	2.77
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Office Tower Z, Harumi Island Triton Square, 1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,044,300	2.16
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	WOOLGATE HOUSE, COLEMAN STREET, LONDON EC2P 2HD, ENGLAND (4-16-13, Tsukishima, Chuo-ku, Tokyo, Japan)	1,029,700	2.13
SBI Securities Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	637,300	1.31
JPMorgan Chase Bank 385181 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (4-16-13, Tsukishima, Chuo-ku, Tokyo, Japan)	525,200	1.08
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo, Japan)	448,600	0.92
Total	–	30,676,500	63.53

(8) Status of voting rights

a. Shares issued

(As of November 30, 2013)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	–	–	–
Shares with full voting rights (Other)	Ordinary shares 48,283,100	482,831	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 900	–	–
Total number of shares issued	48,284,000	–	–
Total number of voting rights	–	482,831	–

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

b. Treasury shares, etc.

(As of November 30, 2013)

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

(9) Stock acquisition rights

None

2. Acquisition of treasury shares

[Class of shares] None

(1) Acquisition by resolution of the General Meeting of Shareholders

None

(2) Acquisition by resolution of the Board of Directors

None

(3) Items not based on resolutions of the General Meeting of Shareholders or Board of Directors

None

(4) Status of disposal and ownership of acquired treasury shares

None

3. Dividend policy

Tosei's fundamental earnings distribution policy is to strive to continuously provide stable dividends while comprehensively considering operating results, the future operating environment and progress in its business plan to balance dividends with the need for internal capital resources to generate long-term growth in corporate value by taking highly profitable business opportunities.

It is also a basic policy of Tosei to pay a year-end dividend annually, determined by the General Meeting of Shareholders.

Based on the above policy, Tosei decided to pay an annual dividend of ¥8 per share for the fiscal year under review. As a result, the Company's consolidated dividend payout ratio came to 18.6% for the fiscal year ended November 30, 2013.

Tosei plans to use its internal reserves for future business expansion and to strengthen the management quality.

Tosei's articles of incorporation stipulate that "Tosei may pay interim dividends to shareholders with the record date of May 31 each year, upon a resolution by the Board of Directors."

The dividend for the fiscal year ended November 30, 2013 is as follows:

Resolution date	Total amount of dividends (¥ thousand)	Dividends per share (¥)
Ordinary General Meeting of Shareholders held on Feb. 27, 2014	386,272	8

4. Trends in share price

(1) Highest and lowest share prices for the most recent 5 years by term

Term	60th term	61st term	62nd term	63rd term	64th term
Accounting period	Fiscal year ended Nov. 30, 2009	Fiscal year ended Nov. 30, 2010	Fiscal year ended Nov. 30, 2011	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013
Highest (¥)	45,000	44,700	23,490 * 43,000	37,650	151,900 ** 966
Lowest (¥)	8,600	18,610	18,020 * 19,810	18,800	36,800 ** 641

Note: The highest and lowest share prices shown above were the share prices listed on the Second Section of Tokyo Stock Exchange from November 22, 2006 to August 31, 2011, and on the First Section of Tokyo Stock Exchange from September 1, 2011. The highest and lowest share prices prefixed by one asterisk in the 62nd term were prices on the Second Section of Tokyo Stock Exchange, and the highest and lowest share prices prefixed by two asterisks in the 64th term were ex-rights prices due to the share split-up as of July 1, 2013 (share split-up by 100 shares for 1 ordinary share).

(2) Monthly highest and lowest share prices for the most recent 6 months

Month	Jun. 2013	Jul. 2013	Aug. 2013	Sep. 2013	Oct. 2013	Nov. 2013
Highest (¥)	88,400 * 715	966	794	930	866	880
Lowest (¥)	65,000 * 588	651	641	664	735	711

Note: The highest and lowest prices were prices on the First Section of Tokyo Stock Exchange.
The highest and lowest share prices prefixed by an asterisk in June 2013 were ex-rights prices due to the share split-up as of July 1, 2013 (share split-up by 100 shares for 1 ordinary share).

5. Status of officers

Title	Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
President and CEO	President and CEO	Seiichiro Yamaguchi	Jan. 5, 1961	Apr. 1983 Entered Mitsui Real Estate Sales Co., Ltd. (the predecessor of Mitsui Fudosan Realty Co., Ltd.) Apr. 1986 Entered 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)	Note 3	12,885,500
Director	COO and Senior Executive Officer of Business Division; in charge of Asset Solution Department 2 and Asset Solution Business Promotion Department	Katsuhito Kosuge	Jul. 17, 1960	Apr. 1983 Entered Tokyu Construction Co., Ltd. Apr. 1986 Entered Tosei-Shoji Corporation Jan. 1996 Director of the Company Dec. 2000 Managing Director of the Company Jul. 2004 Director and Managing Executive Officer of the Company Sep. 2005 Representative Director of Tosei Revival Investment Co., Ltd. Feb. 2006 COO and Senior Executive Officer of Business Division of the Company (current position) Oct. 2007 Representative Director of Tosei Asset Management, Corp. Apr. 2008 Director of Tosei Asset Advisors, Inc. Feb. 2012 Director of Tosei Asset Advisors, Inc. (current position)	Note 3	200,000
Director	CFO and Senior Executive Officer of Administrative Division	Noboru Hirano	Oct. 17, 1959	Apr. 1982 Entered Kokubu & Co., Ltd. Apr. 1991 Entered 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 Director and Managing Executive Officer of the Company Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co., Ltd. Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.) Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company (current position) Dec. 2007 Representative Director of Tosei Revival Investment Co., Ltd. Jan. 2013 Representative Director of Tosei Revival Investment Co., Ltd. (current position) Feb. 2013 Director of Tosei Community Co., Ltd. (current position)	Note 3	150,000

Title	Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Director		Goro Kamino	Aug. 29, 1960	Apr. 1983 Entered Mitsui Trust and Banking Company, Limited (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Aug. 1990 Entered Chubu Gas Co., Ltd. May 1995 Entered Gastec Service, Inc. and appointed as Corporate Planning Department Chief Dec. 1995 Director of Toyohashi Cable Network Inc. (current position) Aug. 2000 President CEO of Gastec Service, Inc. (current position) May 2002 President and representative director of Sala Corporation (current position) Jun. 2002 Director of System Location Co., Ltd. Jan. 2004 Director of Sala House Co., Ltd. (current position) Mar. 2006 Representative Director of Chubu Gas Co., Ltd. Feb. 2007 Chairperson of Sala Cars Japan Co., Ltd. (current position) Feb. 2007 Director of the Company (current position) Oct. 2009 Director of Japan Post Holdings Co., Ltd. Mar. 2012 President and Representative Director of Chubu Gas Co., Ltd. (current position) Jun. 2012 Director of Musashi Seimitsu Industry Co., Ltd. (current position)	Note 3	–
Director		Kenichi Shohtoku	Jan. 20, 1971	Oct. 1995 Entered Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Sep. 1999 Transferred to Arthur Andersen & Co., Kuala Lumpur Office Sep. 2002 Entered SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) (current position) Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD. Dec. 2010 Statutory Auditor of ROKI TECHNO CO., LTD (current position) Feb. 2012 Director of the Company (current position) Jan. 2013 Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)	Note 3	–
Audit & Supervisory Board Member (full-time)		Yasuhiro Honda	Jun. 20, 1940	Apr. 1963 Entered TAISEI CORPORATION Jun. 1991 General Manager of Machinery & Materials Department of TAISEI CORPORATION (in charge of planning and management) Jun. 1995 Managing Director of TAISEI TOURIST AGENCY LTD. Apr. 2003 Full-time Audit & Supervisory Board Member of the Company (current position)	Note 4	–

Title	Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Audit & Supervisory Board Member (full-time)		Yutaka Kitamura	Feb. 27, 1950	Apr. 1972 Entered The Yasuda Trust and Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) May 1996 General Manager of Singapore Branch of The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Oct. 1998 Joint General Manager of Credit Division of The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Oct. 1999 General Manager of Niigata Branch of The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Mar. 2005 Full-time Audit & Supervisory Board Member of Nippon Carbon Co., Ltd. May 2010 Joined J-COACH Corporation as full-time Adviser Jun. 2010 Full-time Audit & Supervisory Board Member of J-COACH Corporation Feb. 2013 Full-time Audit & Supervisory Board Member of the Company (current position) Feb. 2013 Audit & Supervisory Board Member of Tosei Community Co., Ltd. (current position)	Note 4	–
Audit & Supervisory Board Member		Tatsuki Nagano	Apr. 16, 1959	Apr. 1983 Entered The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Jul. 1995 Financial Planning Chief of Corporate Planning Dept. at headquarters of The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Jul. 2000 Management Director of RG Asset Management PTE. LTD. (current position) Jul. 2004 Director of Reference Group Holdings Ltd. (current position) Aug. 2004 Representative Director of RG Asset Management Services Co., Ltd. (the predecessor of RG Asset Management K.K.) Feb. 2012 Audit & Supervisory Board Member of the Company (current position) Apr. 2013 Director of RG Asset Management Services Limited (BVI) (current position) Apr. 2013 Director and Representative Partner of RG Asset Management Services Limited (HK) (current position)	Note 4	–
Audit & Supervisory Board Member		Osamu Doi	Feb. 23, 1964	Apr. 1987 Entered The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.) Jul. 1993 Transferred to Nikko Europe PLC Feb. 1998 Returned to The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.) Apr. 2002 Entered FinTech Global Incorporated Oct. 2005 Senior Vice President of Structured Finance Division of FinTech Global Incorporated Oct. 2006 Deputy Head of Investment Banking Division of FinTech Global Incorporated Apr. 2007 Head of Investment Department of FinTech Global Incorporated Feb. 2013 Audit & Supervisory Board Member of the Company (current position)	Note 4	
Total						13,235,500

Notes: 1. Goro Kamino and Kenichi Shohtoku are Outside Directors.
2. Yasuhiro Honda, Yutaka Kitamura, Tatsuki Nagano and Osamu Doi are Outside Audit & Supervisory Board Members.
3. Two-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 27, 2014.
4. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 26, 2013

6. Status of corporate governance, etc.

(1) Status of corporate governance

a. Basic concept on corporate governance

The Group aspires to continue to be a group of companies that make a meaningful contribution to their shareholders, employees, business partners, and other stakeholders by promptly and accurately responding to changes in the management environment and continually carrying out business activities that enable the Group to achieve sound growth. The Group has positioned the enhancement of corporate governance as the most important means of achieving these aims, with thorough promotion of consciousness regarding compliance, strengthening of risk management, and implementation of timely disclosure as the three main initiatives. In addition, the Group works in a unified manner to strengthen the system further, from the top management down to each employee of Group companies, in order to construct an internal control system as required by the Companies Act and the Financial Instruments and Exchange Act and a system as a financial instruments business operator that is credible to investors.

b. Details of internal company bodies and establishment of internal control system

(a) Basic explanation of internal company bodies

The Company has the Board of Directors and the Audit & Supervisory Board in place. In order to execute business transparently, the Company appoints outside directors, and all of its audit & supervisory board members are from outside the Company. The Company also employs the executive officer system.

All audit & supervisory board members of the Company are outside audit & supervisory board members and have been since the Company was listed. The audit & supervisory board members continuously perform audits on the management of the Company from the point of view of securing and improving the Company’s corporate value and the common interests of its shareholders. Furthermore, by inviting outside directors to the Board of Directors, the Company is strengthening its management supervisory function further. On the management side, by employing the executive officer system, the Company promotes optimal decision-making functions and distribution of operational duties, as well as the delegation of authority in the execution of business, thus enhancing corporate governance.

The current system is in place because it is a system that enables the management of the Company and management oversight to function sufficiently.

i) Operation of Board of Directors

The Board of Directors is composed of five directors, two of whom are outside directors . Based on the regulations of the Board of Directors, regular meetings of the Board of Directors are held every month and extraordinary meetings are held as necessary. As the highest management decision-making body, the Board of Directors makes resolutions on management policy and important matters, and also supervises the execution of duties by directors.

ii) Auditing by audit & supervisory board members

The Company employs an audit & supervisory board member system with two full-time audit & supervisory board members and two part-time audit & supervisory board members. All of these four persons are outside audit & supervisory board members. Meetings of the Audit & Supervisory Board are held once a month in principle. At these meetings, the four audit & supervisory board members deliberate on necessary items and work to share information by having the full-time audit & supervisory board members report to the part-time audit & supervisory board members about their auditing activities.

The audit & supervisory board members also attend meetings of the Board of Directors and management meetings (constituted by executive officers appointed by the President and CEO), which is an advisory body regarding matters to be approved by the President and CEO.

The auditing activities of audit & supervisory board members are performed in accordance with a yearly audit plan. Since such activities are carried out in coordination with the accounting auditor and the Internal Audit Department, an efficient and effective auditing system is in place. Furthermore, the full-time audit & supervisory board members work to gain an understanding of the status of the execution of business by holding regular interviews with each director and those in charge of each division.

iii) Executive officer system

The Company employs an executive officer system, under which executive officers appointed by the Board of Directors execute and exert control over the Company's business in accordance with internal regulations, in addition to matters designated by resolution of the Board of Directors.

In addition, the President and CEO holds management meetings twice a month in principle, at which advance consultation is provided for important decisions to be made by the President and CEO, and matters for resolution at the Board of Directors are deliberated in advance.

iv) Corporate governance meeting

With the aim of continuous strengthening of corporate governance, the Company holds corporate governance meetings consisting of full-time directors and full-time audit & supervisory board members once a month in principle.

At the meeting, directors and audit & supervisory board members check and deliberate over corporate governance concerns for improving corporate value and items regarding internal control. Where necessary, they receive advice from outside experts such as corporate attorneys and certified public accountants.

v) Internal auditing

Five members of the Internal Audit Department under the direct supervision of the President and CEO perform audits of the entire Group in accordance with a yearly plan. If they discover inadequacies, they demand improvements by providing recommendations for their rectification to the audited division. Audits are performed effectively, with matters for rectification handled through enhanced follow-up work including deliberation with the audited division and the provision of detailed guidance.

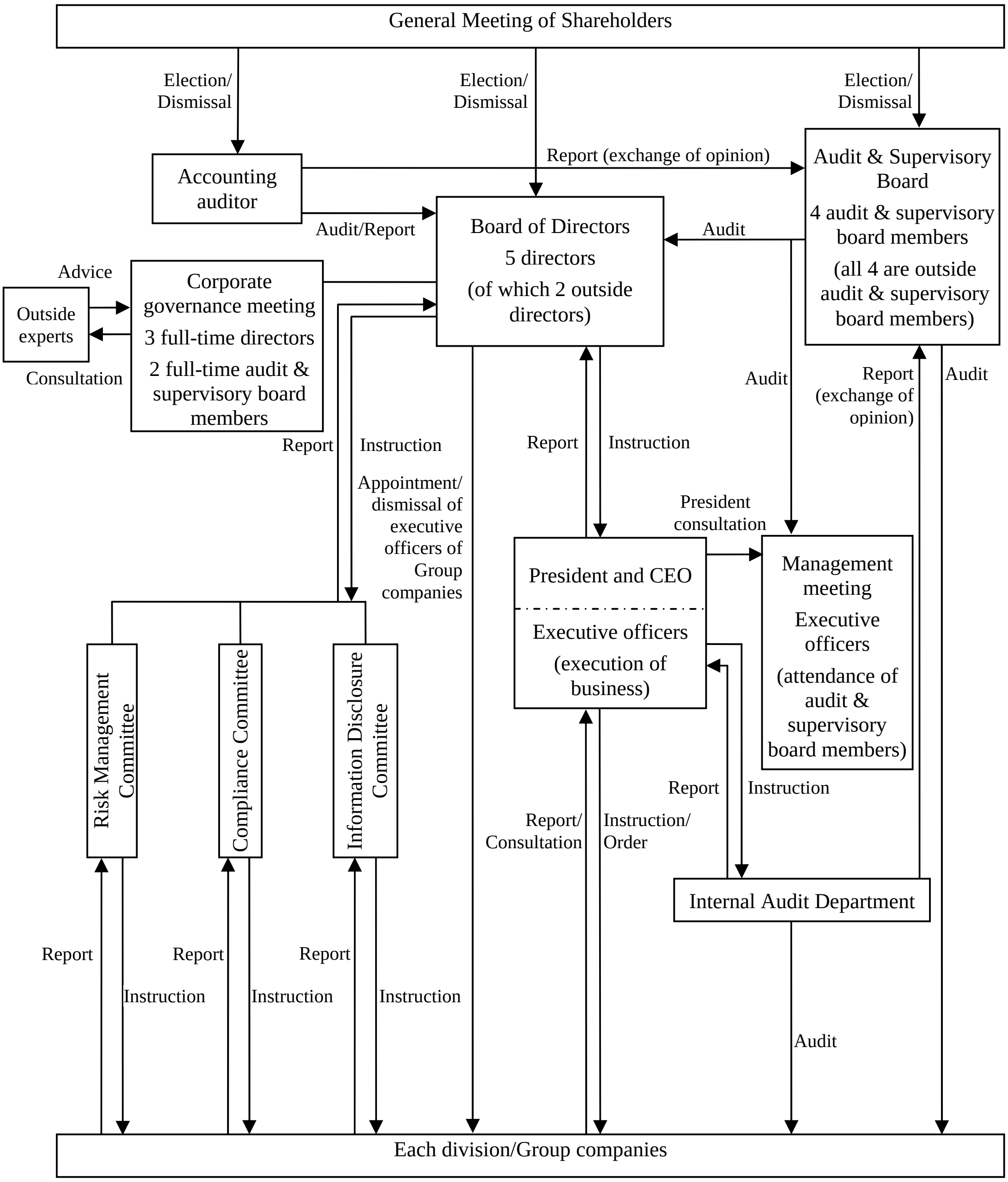
vi) Information disclosure

The Company not only prepares documents, etc. in accordance with laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act and discloses information based on the regulations set forth by securities exchanges, but also provides timely and appropriate corporate information to stakeholders including shareholders and investors by such means as investor relations activities and its website.

vii) Auditing by accounting auditor

The Company's accounting auditor is Shinsoh Audit Corporation, with which the Company has concluded an auditing agreement in accordance with the Companies Act and the Financial Instruments and Exchange Act. On this basis, Shinsoh Audit Corporation performs audits in accordance with a yearly audit plan.

(b) The following is an outline of the Company's corporate governance and internal management system



(c) Details of internal company bodies and establishment of internal control system

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 passed a resolution at a meeting of its Board of Directors held on December 25, 2013 that its basic policies on ensuring the properness of a company's operations is as follows:.

i) Basic policies for compliance with laws and regulations

- Ensure awareness regarding compliance with laws and regulations.
- Strengthen the checking function for breaches of laws and regulations.
- Promptly react to any breach of laws and regulations, and make timely and appropriate information disclosure concerning such breaches.
- Eliminate any association with anti-social forces.

ii) Basic policies for storing and managing information

- Ensure awareness regarding the importance of storing and managing information.
- Enhance the measures for preventing the leakage of material information.
- Ensure thorough familiarity with information requiring timely disclosure and prevention of misstatements or material omissions.

iii) Basic policies for management of risk of loss

- Ensure thorough understanding, analysis and assessment of risks that may hinder the continuation of the Company's corporate activities.
- Enhance monitoring of risk management.
- Establish a proper whistle-blowing system for any occurrences and/or signs that contingencies may occur.
- Promptly react to any occurrence of contingencies and/or accidents, and make timely and appropriate disclosure of information regarding such occurrences.

iv) Basic policies for efficient execution of duties by directors

- Carry out deliberation and decision-making on the important management matters of the Company, in an efficient, timely and appropriate manner.
- Eliminate excessive pursuit of efficiencies in management plans and/or business targets and make balanced decisions considering the soundness of the Company.
- Establish a system to allow efficient execution of business in accordance with the rules on delegation of operational authority.

v) Basic policies for properness of the operations of the entire Group

- Strive for full penetration of the understanding of the Company's business principle and awareness regarding compliance among officers and employees of the entire Group and ensure that each of the Group companies complies with laws and regulations.
- Strive to share and resolve the managerial issues of each of the Group companies and enhance the risk management system of the Group.
- Encourage appropriate and timely sharing of information among the Group companies for the purpose of enhancing their internal control system.
- Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.
- Eliminate wrongful acts and/or irregular transactions using the Group.

vi) Basic policies for systems to ensure effective audits by Audit & Supervisory Board Members

- Provide members of staff that are independent of Directors to assist Audit & Supervisory Board Members in their duties.
- Obtain concurrence from the Audit & Supervisory Board for the transfers and the performance evaluations of the aforementioned members of staff.
- Ensure prompt reporting to the Audit & Supervisory Board by officers or employees when they have any concern that material loss may occur or have identified any breach of regulations or misconduct.
- Ensure timely reporting by Directors and key employees to Audit & Supervisory Board Members.
- Ensure availability of important documents for timely inspections.
- Promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
- 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.
- 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.

The internal control system developed at the Group and the details of new initiatives implemented in the fiscal year ended November 30, 2013 are as follows:

i) Compliance with laws and regulations

- For the purpose of supervising directors who execute business, the Company has appointed two Outside Directors, and all four of Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. The Company has notified the Tokyo Stock Exchange of all six of these officers (two Outside Directors and four outside Audit & Supervisory Board Members) as "independent directors/auditors" in accordance with the Tokyo Stock Exchange's "Principles of Corporate Governance for Listed Companies."
- A corporate governance meeting attended by full-time directors and full-time Audit & Supervisory Board Members is held every month. Additionally, an interview with full-time Audit & Supervisory Board Members is performed by the President and CEO monthly, and by other directors quarterly. Matters regarding all aspects of management are deliberated upon and considered at the meetings in order to realize a higher quality governance system. In addition, education, training, recognizing current issues, and deliberations are carried out and signs of violations of laws and regulations, etc. are checked at the Compliance Committee (held monthly), which is composed of heads of divisions and the compliance officers of each Group company, and the details are reported at the monthly meetings of the Board of Directors.
- An opinion-exchanging meeting attended by directors and corporate lawyers was held with regard to moves toward amendment of the Companies Act and trends of other companies in building and operation of an internal control system.
- In order to thoroughly promote consciousness regarding violations of laws and regulations and strengthen the checking function for such violations, a compliance program is set at the beginning of the fiscal year, and various training sessions and seminars are held, while various regulations are developed. Additionally, on a monthly basis, compliance slogans are gathered and published, and a booklet titled "Compliance Mind" is distributed to foster the legal awareness of employees. Furthermore, a compliance questionnaire was carried out to check the extent of the penetration of consciousness regarding compliance. In the fiscal year under review, the Company carried out general compliance training, insider training and financial instruments business training sessions tailored to different positions and employee levels as regular training, and enhanced compliance training sessions for new employees. In addition, the Company worked to strengthen its structure as a financial instruments business operator based on the consultation with an external firm.
- A business law liaison meeting, which is composed of responsible personnel from each department of asset solutions business and each Group company, is held every month to make well known the revision of laws and regulations, etc. relating to businesses conducted by the Group and disseminate cautionary information regarding client solicitation and information about laws and regulations, etc. on permits and approvals across the Group.
- In response to the amendment of the Act on Prevention of Transfer of Criminal Proceeds, the Company has strengthened checking for businesses at the time of transactions.
- A whistle-blowing system has been established providing contact points inside and outside the Company. In addition, employee survey on whistle-blowing system has been conducted.
- Regular training on action against anti-social forces is carried out in order to eliminate any association with anti-social forces. In addition, a manual on action against anti-social forces has been formulated, and an employee has been assigned to be in charge of preventing unreasonable demands.

ii) Retaining and managing information

- Administrative offices have been set up in each of the Board of Directors and important meetings and committees as part of efforts to enable the thorough retaining and management of information.
- Important information is retained in a manner that makes it easy to find in accordance with the regulations on the retention of written documents. The unified management of a list of details pertaining to the retention of written documents and confidential information, which was prepared at each division based on inventories of information assets conducted periodically, has been implemented at the Administration and HR Department, and documents for which the retention

period has expired have been thoroughly disposed. In addition, the Company strives to review security of electronic information.

- Training on information asset management (importance of personal information) is provided in conjunction with compliance training.
- The Information Disclosure Committee, which consists of executive officers in charge of each division (held 18 times during the current period), inspects circulars from the Tokyo Stock Exchange and the Singapore Exchange to gain an understanding of information for timely disclosure. When information is disclosed, meetings of the Committee are held flexibly, at which deliberations are held regarding the appropriateness, etc. of information for disclosure and such information is managed with the use of reports and check sheets regarding disclosure. Details of meetings of the Information Disclosure Committee are reported at the monthly meetings of the Board of Directors.
- In line with the listing on the Singapore Exchange, Regulations for Information Disclosure and internal manuals have been revised.
- An extraordinary report regarding the voting results at the 63rd Ordinary General Meeting of Shareholders was submitted to the Director-General of the Kanto Local Finance Bureau and disclosed through EDINET (Electronic Disclosure for Investors' NETwork, an electronic disclosure system to file the corporate disclosure documents such as Securities Reports required under the Financial Instruments and Exchange Act).

iii) Management of risk of loss

- Meetings of the Risk Management Committee, which is composed of the heads of each section and department, and the risk management officers of each Group company, are held monthly. Risks for the entire Group are identified, analyzed and evaluated, while information is gathered about individual events and countermeasures are deliberated upon. The details of the deliberations of the Risk Management Committee are reported at the monthly meetings of the Board of Directors. Important risk information is reported regularly by the full-time directors to the full-time Audit & Supervisory Board Members at corporate governance meetings.
- Matters regarding the evaluation of risks associated with financial reporting are verified every quarter.
- In order to enhance the whistle-blowing system regarding the occurrence of contingencies or signs that they may occur, a risk management program is set at the beginning of the fiscal year and a risk management cycle is implemented, consisting of risk evaluation and analysis, planning and implementation of risk countermeasures, reviews of the effectiveness of countermeasures and checks of functions disseminating information about them.
  In the fiscal year under review, a risk assessment was performed by a third-party organization and the results of analysis were reported at the Risk Management Committee, while an individual risk survey was conducted for each department. In addition, the Company revised internal regulations on complaint handling and dispute settlement and worked to unify the management of complaints, etc.
- In response to the enforcement of the Tokyo ordinance for people with difficulties returning home, the Company revised the countermeasure manual against earthquake disaster to strengthen support for people who have difficulties retuning home.
- The Company continues to report troubles regarding the entire Group (including signs) to Audit & Supervisory Board Members on a regular and irregular basis.

iv) Efficient execution of duties by directors

- In addition to regular meetings of the Board of Directors, which are held on a monthly basis, extraordinary meetings of the Board of Directors are held as necessary in order to make decisions promptly, including approval of quarterly financial results (regular meetings have been held 12 times during the current period, and extraordinary meetings, including those for quarterly financial results, have been held 10 times).
- In order to ensure that deliberations by the Board of Directors are carried out efficiently and substantially, management meetings attended by executive officers and Audit & Supervisory Board Members, at which details of the matters for deliberation are examined, are held before meetings of the Board of Directors (regular meetings have been held 24 times during the current period and extraordinary meetings have been held four times).
- Company principles have been formulated to thoroughly communicate management policy and the direction the Company should take to all officers and employees of the Group, and a medium-term management plan and business plans for single fiscal years are formulated in accordance with these

principles. In order to achieve the management plan and business goals, progress made in plans for single fiscal years and full-year business outlook are checked on a quarterly basis. In addition, those at management level who are middle management leaders are required to participate in progress confirmation meetings, which are attended by all executive officers and the heads of each department, on a half-yearly basis to make well known the management policy.

- In the fiscal year under review, four executive officers were added and the delegation of authority in areas of responsibility was implemented.

v) Properness of operations of entire Group

- All Group companies are required to construct an internal management system to the same level of that of the Company (the parent), and where necessary, the Company provides supports to the Group companies.
- Some Group companies strive to enhance the internal control system by establishing their own compliance program at the beginning of the fiscal year.
- Training sessions, gathering and publishing of compliance slogans on a monthly basis, distribution of a booklet titled “Compliance Mind” to foster the legal awareness of employees and diagnosis of risks are also implemented for Group companies. Additionally, responsible personnel from each Group company are required to attend the Compliance Committee and the Risk Management Committee.
- A compliance questionnaire similar to the questionnaire for the parent company is carried out to check the extent of the penetration of consciousness regarding compliance across Group companies.
- Reports are given on the management conditions of all Group companies to the monthly management meeting. In addition, an understanding of detailed conditions and individual issues for each month is built up through the meeting of associated companies, which is held by the Corporate Planning Department. Furthermore, the business support projects for Group companies are set up in the Company, and efforts are being focused on solving management issues.
- Timely reporting is required to be made to the chairman of the Risk Management Committee in the case of an accident or other such event at any Group company.
- The Company’s Audit & Supervisory Board Members have been made to concurrently serve as Audit & Supervisory Board Members of some Group companies to strengthen the internal control of Group companies.
- Outside experts were invited to act as advisors for group companies, and they provided assistance and guidance on management and business strategies to construct internal control systems and improve profitability.
- Responsible personnel from Group companies also joined in business law liaison meeting, which work to make well known the amendment of laws and regulations, etc. relating to businesses conducted by the Group and disseminate cautionary information related to customer solicitation and information about laws and regulations, etc. on permits and approvals on permits and approvals across the Group.
- Group companies that have registered as a financial instruments business operator worked to strengthen internal control environment based on the consultation with an external firm.
- Necessary cooperation is given for the liaison meeting of Audit & Supervisory Board Members of the Group companies (held on a half-yearly basis), which is held by Audit & Supervisory Board Members of the Company.
- Rules have been established requiring any significant transactions between Group companies to be reported in advance to the Board of Directors of the Company (in the period under review there were no such transactions).

vi) System to ensure effective auditing by Audit & Supervisory Board Members

- The Internal Audit Department has been assigned as the department in charge of assisting Audit & Supervisory Board Members in their duties. In addition to providing such assistance, this department carries out administrative duties for the Audit & Supervisory Board.
- The duties mentioned above are performed in accordance with direct orders from Audit & Supervisory Board Members. In addition, evaluations of personnel, rewards and punishments, and transfers of relevant personnel are carried out after the concurrence of the Board of Directors.
- Full-time Audit & Supervisory Board Members are provided with reports about various issues regarding all aspects of management at corporate governance meetings. The President and CEO makes reports on his areas of responsibility in interviews once a month, while other directors make such reports once a quarter and other important employees make reports on a half-yearly basis.

Interviews are also held between presidents and officers of Group companies and the Company's full-time Audit & Supervisory Board Members (once for each subsidiary). Events that have the potential to develop into matters that pose a serious risk to the continuation of corporate activities or signs that such events may occur, as well as individual cases including controversies, accidents and complaints are reported to Audit & Supervisory Board Members in a timely and appropriate manner.

- In addition to regular and extraordinary meetings of the Board of Directors, Audit & Supervisory Board Members attend the regular management meetings that are held twice a month and also attend extraordinary meetings as necessary, and directors and executive officers make timely and appropriate reports to them. Comments received from Audit & Supervisory Board Members in business audits and at meetings of the Board of Directors and management meetings, are implemented as promptly as possible, and progress made on this is reported at the meeting of the Board of Directors once every three months. Documents requested by Audit & Supervisory Board Members for their inspection are submitted promptly.
- A system has been established in which all whistle blowing is reported promptly to Audit & Supervisory Board Members, and even when no whistle blowing has occurred, this fact is reported on a monthly basis.
- The directors receive explanations of Audit & Supervisory Board Members' yearly audit plans and make efforts to understand such plans and cooperate in their implementation.
- Audit & Supervisory Board Members attend meetings in which the audit corporation explains its audit result to the directors, which are held for each quarterly book closing, and confirm the contents of such explanation as well as the actions taken by directors in response.
- With the aim of enhancing the threefold auditing structure, there are periodic meetings at which the accounting auditor reports to the Audit & Supervisory Board (held six times during the period under review) and periodic meetings at which Audit & Supervisory Board Members and Internal Audit Department exchange opinions (held six times during the period under review).
- Meetings to exchange views were held for Outside Directors and Audit & Supervisory Board Members. (Meetings were held four times during the period under review.)
- With the aim of enhancing audits by Audit & Supervisory Board Members across the entire Group, efforts are made to provide necessary cooperation for holding the liaison meeting of Audit & Supervisory Board Members of the Group companies on a half-yearly basis.
- Meetings to exchange opinions were held with legal advisors to promote understanding of legal matters relevant to the Tosei Group. (Meetings were held three times during the period under review.)

(d) Internal auditing and auditing by audit & supervisory board members

i) Coordination between audit & supervisory board members and accounting auditor

In the course of their auditing activities in accordance with the yearly audit plan, the audit & supervisory board members regularly exchange information and opinions with the accounting auditor. They also receive reports on the results of audits by the accounting auditor and coordinate closely with them by such means as observing their audits as appropriate.

ii) Coordination between audit & supervisory board members and Internal Audit Department

The audit & supervisory board members hold a regular exchange of opinions session between the Audit & Supervisory Board and the Internal Audit Department once every two months, and receive timely updates on internal audit results from the General Manager of the Internal Audit Department. The full-time audit & supervisory board members attend hearings conducted by the Internal Audit Department with audited divisions, while members of the Internal Audit Department attend hearings conducted by the audit & supervisory board members with the accounting auditor, heads of divisions and others as assistants to the audit & supervisory board members. Through such activities, the Company works to enhance the quality of its internal audits and to carry out efficient business audits.

(e) Accounting audits

i) Names of certified public accountants who executed audit, name of audit corporation they belong to, and years of continuous auditing

Name of certified public accountant:	Name of audit corporation:	Years of continuous auditing:
Designated and Engagement Partner Kazuma Shinohara	Shinsoh Audit Corporation	(Note)
Designated and Engagement Partner Takashi Aikawa	Shinsoh Audit Corporation	(Note)

(Note) Since the years of continuous auditing are seven years or less, this information is omitted.

ii) Breakdown of assistants in auditing operations

Certified public accountants:	4 persons
Other:	3 persons

(f) Relationship between outside directors and outside audit & supervisory board members

The Company has two outside directors and four outside audit & supervisory board members.

In principle, the Company appoints people who are considered to be fully independent from the business management and have knowledge, experience and insight that are sufficient to execute the duty of outside directors and outside audit & supervisory board members, after comprehensive consideration of their career and qualifications. The Company has not formulated clear standards or policies on independence.

Outside director Goro Kamino has extensive experience and a high level of insight as a management executive at listed companies, including gas companies of a highly public nature, and the Company believes that he can adequately supervise other directors and provide advice and recommendations from his objective standpoint to ensure the adequacy and appropriateness of the directors’ decision-making.

Outside director Kenichi Shohtoku has extensive experience and expertise as a certified public accountant, including overseas service, and the Company believes that he can provide appropriate supervision of the Company’s management from his objective standpoint as an accounting expert. Outside director Kenichi Shohtoku is Representative Director of SCS Global Consulting (S) Pte Ltd, with which the Company has entered into a consignment contract of consulting on overseas business deployment etc. However, in light of the content and scale of the transactions and other factors, the Company believes that this will not cause a conflict of interest with general shareholders.

Full-time outside audit & supervisory board member Yasuhiro Honda has abundant managerial and practical experience, primarily at the administration department of a major construction company, as well as specialist knowledge. On that basis, the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company’s management.

Full-time outside audit & supervisory board member Yutaka Kitamura has abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge. As such, the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company’s management, particularly from a financial and global standpoint. Yutaka Kitamura was an employee of Mizuho Trust & Banking Co., Ltd., with which the Company has transactions, until 2005. However, in light of the content and scale of the transactions and other factors, the Company believes that this will not cause a conflict of interest with general shareholders.

Outside audit & supervisory board member Tatsuki Nagano has experience at major financial institutions and continues to be involved in corporate management as a company representative, and the Company believes that he can utilize his extensive experience and a high level of expert insight to perform a role in ensuring the adequacy and appropriateness of the Company’s management.

The Company believes that Osamu Doi can perform a role in ensuring the adequacy and appropriateness of the Company’s management based on his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

c. Establishment of risk management structure

The Company has organized the Compliance Committee with the primary purpose of fostering consciousness regarding compliance at the Group, and the Risk Management Committee, which examines the Group's risk countermeasures. By these means, the Company deliberates on and examines ways of handling risk management not just from the point of view of compliance with laws and regulations but also in terms of company ethics and making a social contribution.

d. Remuneration, etc. of officers

(a) Total amount of remuneration, etc. by position, total amount by type of remuneration, etc., and number of recipients at the Company

Position	Total amount of remuneration, etc. (¥ thousand)	Total amount by type of remuneration, etc. (¥ thousand)				Number of recipients
		Basic remuneration	Share options	Bonus	Retirement benefits	
Directors (excluding outside directors)	136,662	98,700	–	9,960	28,002	3
Audit & supervisory board members (excluding outside audit & supervisory board members)	–	–	–	–	–	–
Outside officers	39,701	34,500	–	2,400	2,801	8

(b) Total amount of consolidated remuneration, etc. by each officer of the Company

Since there is no officer for whom the total amount of remuneration, etc. is ¥100 million or more, this information is omitted.

(c) Significant items among employee salaries paid to officers concurrently serving as employees

None

(d) Policy on determining amount of remuneration, etc. for officers

Regarding remuneration for officers, the maximum amounts of remuneration, etc. paid to directors and audit & supervisory board members respectively are determined by resolution of the General Meeting of Shareholders. Regarding the amounts of remuneration for directors and audit & supervisory board members, those for directors are determined by resolution of the Board of Directors and those for audit & supervisory board members are determined by deliberation of the audit & supervisory board members.

e. Status of shareholding

(a) Investment shares held for purposes other than pure investment

Number of issues 1 issue
Total carrying amount ¥1,200 thousand

(b) Investment shares held for purposes other than pure investment and for which the carrying amount in the current period is over 1% of stated capital

None

(c) Investment shares held for pure investment purposes

None

f. Outline of contracts for limitation of liability

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into contracts with its outside directors and outside audit & supervisory board members that limits their liability for damages provided for in Article 423, paragraph 1 of the same Act. The maximum amount of liability for damages under the contract will be the amount prescribed by laws and regulations.

g. Stipulations of Articles of Incorporation regarding number, etc. of directors

(a) Number of directors

The Company stipulates in its Articles of Incorporation that the number of directors of the Company shall be six persons or less.

(b) Requirements for resolutions regarding election and dismissals of directors

The Company stipulates in its Articles of Incorporation that resolutions for election of directors shall be decided by a majority of the voting rights of the shareholders present at a meeting where the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present, and shall not be effected by cumulative voting

Regarding resolutions for dismissal of directors, the Company stipulates in its Articles of Incorporation that they shall be decided by two thirds or more of the voting rights of the shareholders present at a meeting where the shareholders holding a majority of the voting rights of the shareholders who are entitled to exercise their voting rights are present.

h. In cases where the Company stipulates that items for resolution at General Meeting of Shareholders may be resolved by Board of Directors, applicable items and reasons for the stipulation

(a) Acquisition of treasury shares

The Company stipulates in its Articles of Incorporation that the Company can acquire its treasury shares by resolution of the Board of Directors as provided for in Article 165, paragraph 2 of the Companies Act. The purpose of this is for the Company to acquire its own shares in market transactions and the like in order to enable the execution of a flexible capital policy in response to changes in the management environment.

(b) Exemption from liability of directors and audit & supervisory board members

The Company stipulates in its Articles of Incorporation that directors and audit & supervisory board members (including those who previously held these positions) may be exempted from liability to the extent provided for in laws and regulations in relation to acts provided for in Article 423, paragraph 1 of the Companies Act by resolution of the Board of Directors, as provided for in Article 426, paragraph 1 of the same Act. The purpose of this is to provide an environment in which directors and audit & supervisory board members can make use of their abilities sufficiently and fulfill the roles expected of them when carrying out their duties.

(c) Payment of interim dividend

The Company stipulates in its Articles of Incorporation that an interim dividend may be paid with a record date of May 31 each year by resolution of the Board of Directors as provided for in Article 454, paragraph 5 of the Companies Act, in order to flexibly distribute profits to shareholders.

i. Requirements for special resolutions of General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that special resolutions of the General Meeting of Shareholders provided for in Article 309, paragraph 2 of the Companies Act shall be passed by two thirds or more of the voting rights of the shareholders present at the meeting where the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The purpose of this is to operate the General Meeting of Shareholders smoothly by easing the quorum required for special resolutions at the General Meeting of Shareholders.

(2) Audit fees

a. Audit fees paid to certified public accountants, etc.

Classification	Fiscal year ended Nov. 30, 2012		Fiscal year ended Nov. 30, 2013	
	Fees for audit attestation services (¥ thousand)	Fees for non-audit services (¥ thousand)	Fees for audit attestation services (¥ thousand)	Fees for non-audit services (¥ thousand)
Filing company	31,000	–	34,000	–
Consolidated subsidiaries	3,000	–	3,000	–
Total	34,000	–	37,000	–

b. Other important fees

Fiscal year ended November 30, 2012

None

Fiscal year ended November 30, 2013

None

c. Non-audit services to filing company

Fiscal year ended November 30, 2012

None

Fiscal year ended November 30, 2013

None

d. Policy for determining audit fees

Although there are no applicable matters, audit fees are determined appropriately after considering such factors as the number of auditing days, the size of the Company, and the nature of the business activities, etc.

V. Accounting

1. Preparation policy of the consolidated and non-consolidated financial statements

(1) Tosei prepares consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS), an international accounting standard designated in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) Tosei prepares non-consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963).

2. Audit attestation

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year ended November 30, 2013 (from December 1, 2012 to November 30, 2013) and the non-consolidated financial statements for the fiscal year ended November 30, 2013 (from December 1, 2012 to November 30, 2013) were audited by Shinsoh Audit Corporation.

3. Special efforts made to ensure the properness of consolidated financial statements, etc. and establishment of a system that enables appropriate preparation of consolidated financial statements, etc. under IFRS

Tosei is carrying out the special efforts in order to ensure the properness of consolidated financial statements, etc.

(1) For the purpose of both ensuring that Tosei has an appropriate grasp of the contents of Accounting Standards and related regulations, and establishing a system by which it is possible to ensure appropriateness of consolidated financial statements, etc., Tosei became a member of the Financial Accounting Standards Foundation, and is kept informed of changes in Accounting Standards and other events. In addition, Tosei participates in seminars and other events hosted by the foundation.

(2) In applying IFRS, Tosei receives press releases and standards published by the International Accounting Standards Board as needed to keep itself informed of latest standards. In addition, for accounting procedures in accordance with IFRS, it strives to make the Group conduct uniform accounting treatments by making accounting policies in accordance with IFRS well known to group companies.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

a. Consolidated statements of financial position

(¥ thousand)

	Note	As of November 30, 2012	As of November 30, 2013
Assets			
Current assets			
Cash and cash equivalents	7	9,410,622	14,711,997
Available-for-sale financial assets	8	10,000	–
Trade and other receivables	9	1,884,308	902,131
Inventories	10	37,417,375	38,040,625
Other assets	11	22,426	24,781
Total current assets		48,744,733	53,679,536
Non-current assets			
Property, plant and equipment	12	3,331,447	3,304,792
Investment properties	13	11,695,720	12,703,600
Intangible assets	14	43,091	31,598
Available-for-sale financial assets	8	410,061	810,105
Trade and other receivables	9	160,170	188,884
Deferred tax assets	15	973,844	554,362
Other assets	11	4,014	4,014
Total non-current assets		16,618,350	17,597,357
Total assets		65,363,083	71,276,894
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	3,314,472	2,323,705
Borrowings	17	7,742,443	7,587,433
Current income tax liabilities	15	72,921	865,256
Provisions	18	154,143	209,124
Total current liabilities		11,283,980	10,985,520
Non-current liabilities			
Trade and other payables	16	2,136,256	2,107,809
Borrowings	17	24,659,337	27,449,160
Retirement benefit obligations	19	541,647	607,932
Provisions	18	24,842	24,003
Deferred tax liabilities	15	173,126	–
Total non-current liabilities		27,535,211	30,188,904
Total liabilities		38,819,191	41,174,425
Equity			
Share capital	20	5,454,673	6,421,392
Capital reserves	20	5,516,499	6,375,317
Retained earnings		15,576,014	17,304,409
Other components of equity	20	(3,295)	1,348
Total equity attributable to owners of parent		26,543,892	30,102,468
Total equity		26,543,892	30,102,468
Total liabilities and equity		65,363,083	71,276,894

b. Consolidated statements of comprehensive income

(¥ thousand)

	Note	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Revenue	22	24,195,800	35,070,345
Cost of revenue	23	18,081,979	27,759,099
Gross profit		6,113,821	7,311,245
Selling, general and administrative expenses	24, 25	3,245,692	3,414,950
Other income	26	17,904	33,004
Other expenses	27	29,377	19,695
Operating profit		2,856,655	3,909,604
Finance income	28	4,540	3,467
Finance costs	28	642,563	695,799
Profit before tax		2,218,631	3,217,272
Income tax expense	15	753,346	1,213,792
Profit for the year		1,465,284	2,003,480
Other comprehensive income			
Exchange differences on translation of foreign operations	29	1,382	3,776
Net change in fair values of available-for-sale financial assets	29	1,442	1,299
Net change in fair values of cash flow hedges	29	(3,751)	(431)
Other comprehensive income for the year, net of tax		(926)	4,644
Total comprehensive income for the year		1,464,358	2,008,124
Profit attributable to:			
Owners of parent		1,465,284	2,003,480
Total comprehensive income attributable to:			
Owners of parent		1,464,358	2,008,124
Profit for the year attributable to owners of parent			
Basic earnings per share (¥)	30	32.07	42.99
Diluted earnings per share (¥)	30	–	–

c. Consolidated statements of changes in equity

Fiscal year ended November 30, 2012 (Dec. 1, 2011 – Nov. 30, 2012)

(¥ thousand)

	Note	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance as of December 1, 2011		5,454,673	5,516,499	14,339,150	(2,369)	25,307,953	25,307,953
Profit for the year		–	–	1,465,284	–	1,465,284	1,465,284
Other comprehensive income		–	–	–	(926)	(926)	(926)
Total comprehensive income for the year		–	–	1,465,284	(926)	1,464,358	1,464,358
Amount of transactions with owners							
Dividends of surplus	21	–	–	(228,420)	–	(228,420)	(228,420)
Balance as of November 30, 2012		5,454,673	5,516,499	15,576,014	(3,295)	26,543,892	26,543,892

Fiscal year ended November 30, 2013 (Dec. 1, 2012 – Nov. 30, 2013)

(¥ thousand)

	Note	Share capital	Capital reserves	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance as of December 1, 2012		5,454,673	5,516,499	15,576,014	(3,295)	26,543,892	26,543,892
Profit for the year		–	–	2,003,480	–	2,003,480	2,003,480
Other comprehensive income		–	–	–	4,644	4,644	4,644
Total comprehensive income for the year		–	–	2,003,480	4,644	2,008,124	2,008,124
Retained earnings from newly consolidated subsidiaries		–	–	(981)	–	(981)	(981)
Amount of transactions with owners							
Issuance of new shares	20	966,719	858,818	–	–	1,825,537	1,825,537
Dividends of surplus	21	–	–	(274,104)	–	(274,104)	(274,104)
Balance as of November 30, 2013		6,421,392	6,375,317	17,304,409	1,348	30,102,468	30,102,468

d. Consolidated statements of cash flows

(¥ thousand)

	Note	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Cash flows from (used in) operating activities			
Profit before tax		2,218,631	3,217,272
Depreciation expense		180,327	173,480
Increase (decrease) in provisions and retirement benefits obligations		81,520	112,844
Interest and dividends income		(4,540)	(3,467)
Interest expenses		642,563	695,799
Loss on sales of investment properties		18,874	–
Loss on retirement of property, plant and equipment		2,377	183
Gain on available-for-sale financial assets		–	(7,323)
Decrease (increase) in trade and other receivables		(793,107)	908,464
Decrease (increase) in inventories		(3,862,618)	(1,118,535)
Increase (decrease) in trade and other payables		1,301,557	(1,021,652)
Other, net		7,555	(682)
Subtotal		(206,859)	2,956,384
Interest and dividends income received		4,530	3,566
Income taxes paid		(122,725)	(187,336)
Net cash flows from (used in) operating activities		(325,054)	2,772,614
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(25,346)	(11,064)
Purchase of investment properties		(114,956)	(525,736)
Proceeds from sales of investment properties		216,965	–
Purchase of intangible assets		(4,560)	(4,490)
Purchase of available-for-sale financial assets		(22,000)	(667,000)
Proceeds from sales of available-for-sale financial assets		–	50,782
Collection of available-for-sale financial assets		–	216,700
Collection of loans receivable		7,466	83
Other, net		(1,340)	–
Net cash flows from (used in) investing activities		56,228	(940,724)
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings		384,400	(378,400)
Proceeds from non-current borrowings		15,777,100	20,869,988
Repayments of non-current borrowings		(13,838,051)	(17,855,004)
Proceeds from issuance of new shares		–	1,825,537
Cash dividends paid		(227,857)	(273,717)
Interest expenses paid		(778,011)	(729,954)
Other, net		(1,219)	(1,771)
Net cash flows from (used in) financing activities		1,316,359	3,456,677
Net increase (decrease) in cash and cash equivalents		1,047,533	5,288,567
Cash and cash equivalents at beginning of period	7	8,361,689	9,410,622
Effect of exchange rate change on cash and cash equivalents		1,399	3,770
Increase in cash and cash equivalents from newly consolidated subsidiaries		–	9,036
Cash and cash equivalents at end of year	7	9,410,622	14,711,997

[Notes to 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 and its consolidated subsidiaries (hereinafter collectively, the “Group”) engage in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Alternative Investment Business. The operations of each business segment are presented in “6. Segment information” in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a “specified company” as provided in Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), its consolidated financial statements have been prepared in accordance with IFRS under the provision of Article 93 of the said ordinance.

These consolidated financial statements were approved by Seiichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on February 20, 2014.

(2) Basis of measurement

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

(3) Presentation currency and unit

The 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

The significant accounting policies applied to these consolidated financial statements are consistent throughout all the periods presented therein.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities of which the Company controls the financial and operating policies directly or indirectly so that the Group will obtain benefits from their activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost.

Intra-Group balances of payables and receivables and intra-Group transactions, as well as unrealized gains or losses arising from intra-Group transactions, are offset in preparing the consolidated financial statements.

2) Business combinations

The Group has applied the acquisition method to account for business combinations. The considerations transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred, and the equity interests issued by the Group. The considerations transferred also include the fair value of assets or liabilities arising from contingent consideration arrangements. Acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

(2) Foreign currency translation

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) Overseas operations

Assets and liabilities of overseas 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 overseas operations are recognized in other comprehensive income. On the disposal of the interest in a overseas 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.

(3) Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

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

i) Loans and receivables

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

ii) Available-for-sale financial assets

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

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

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

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

(5) 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.

(6) Property, plant and equipment

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

Property, plant and equipment are stated 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 have been located, and borrowing costs directly attributable to the 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 expenditure 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.

(7) Intangible assets

The Group applies the cost model in measurement of intangible assets. An intangible asset is stated at the carrying amount, which is calculated as 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.

1) 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.

(8) Leases

1) Lessee

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. Lease obligations are recognized as liability in the consolidated statement of financial position.

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Contingent rent expense is recognized in profit or loss for the period during which it is incurred.

2) Lessor

Leases of investment properties are classified as operating leases when all the risks and rewards incidental to ownership of an asset in a lease arrangement are substantially held by the Group. Lease income from operating leases (net of incentives provided to the lessee) is recognized in profit or loss on a straight-line basis.

Initial direct costs incurred to the Group at the inception of operating leases are added to the carrying amount of the leased assets, and are recognized in profit or loss on the same basis as lease income over the lease term.

Contingent rent income is recognized in profit or loss for the period during which it is incurred.

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

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

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

(10) Impairment of non-financial assets

The Group assesses whether there is any indication of impairment on a quarterly basis for the carrying amounts of non-financial assets except inventories and deferred tax assets. If any such indication exists, the recoverable amount of the asset or each cash-generating unit (CGU) to which the asset belongs is estimated.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of the asset (or CGU) falls below the carrying amount, the carrying amount of the asset (or CGU) is reduced to the recoverable amount.

Difference between the carrying amount and the recoverable amount is recognized as impairment losses in profit or loss.

When impairment losses are reversed after recognition, the carrying amount of the asset (or CGU) is increased to the revised estimated recoverable amount. However, the reversal of the impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU).

The reversal of impairment losses is immediately recognized through profit or loss.

(11) Trade and other payables

Trade and other payables are obligations to pay for goods or services provided to the Group in the ordinary course of business and others. Trade and other payables are classified as current liabilities when such payables are due within one year or within the normal operating cycle, and otherwise, presented as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently at amortized cost calculated using the effective interest method.

(12) Borrowings

Borrowings consist of borrowings and lease obligations. Borrowings are initially recognized at fair value and subsequently recognized at amortized cost. Difference between net proceeds net of transaction costs and the repayment amount is recognized in profit or loss over the borrowing period using the effective interest method.

Borrowings are recorded as current liabilities unless the Group has unconditional rights to reschedule the repayment for at least 12 months after the reporting date.

(13) Provisions

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

(14) 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. Unrecognized past service costs are deducted from this calculation. 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.

When pension plans are revised, increases or decreases in benefits related to past services rendered by employees are recognized in profit or loss on a straight-line basis over the average period until the amount of the benefits is determined. For benefits that are immediately determined, the costs are immediately recognized in profit or loss.

All the actuarial differences arising from defined benefit pension plans are recognized in profit or loss on a straight-line basis in the average remaining service period.

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.

(15) Revenue

Revenue is 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:

1) Sale of properties

Revenue from sales of properties is recognized when the significant risks and economic value incidental to ownership of the assets for sale have been transferred to the buyer; the Group retains neither continuing involvement nor effective control over the assets; it is probable that the economic benefits associated with the transaction will flow to the Group; and the amounts of the cost and revenue incurred in respect of the transaction can be measured reliably.

2) Operating lease of rental properties

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

3) Rendering of services

Revenue from the rendering of services is recognized according to the stage of provision of services or when provision of services is finished.

4) Interest income

Interest income is recognized using the effective interest method.

5) Dividend income

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

(16) Borrowing costs

The Group adds borrowing costs directly attributable to acquisition, construction or production of assets that require a reasonable period of time before intended use or sale becomes possible, or qualifying assets, to the cost of these assets until the intended use or sale of the assets effectively becomes possible.

Borrowing costs other than those described above are recognized in profit or loss in the period during which these costs are incurred using the effective interest method.

(17) Derivatives and hedges

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.

(18) Income tax expense

Income tax expense is comprised of current taxes and deferred taxes and recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either directly in equity or in other comprehensive income.

Current taxes are computed by adding adjustments of the amount of expected tax payment or expected refund up to the previous fiscal year to the estimated amount of expected tax payment or expected refund on taxable profits or losses in the current year which are multiplied by tax rates that are enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between accounting carrying amounts of assets and liabilities and amounts of them for tax purpose. For differences associated with initial recognition of assets or liabilities in transactions that have no effect on any profit and loss for both accounting and tax purposes, except for business combinations, deferred tax assets and liabilities are not recognized. Deferred tax assets and liabilities are measured using the tax rate that is expected to be applied when the temporary differences will reverse under the law which is in effect or substantially in effect at the reporting date. Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized only for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is highly probable that taxable profit will be available against which they can be utilized in the future. Deferred tax assets are reviewed at each reporting date, and reduced by the amount that is highly unlikely to be utilized.

(19) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to ordinary shares. Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent, by the weighted average number of ordinary shares issued during the reporting period that is adjusted by the number of treasury shares.

(20) Segment information

Operating segments are components of the Group that engage in business activities from which the Group may earn revenues and incur expenses. These are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resources to be allocated to the segments and assess their performances.

Reportable segments are determined on the basis of the operating segments.

Segment information includes items that are directly attributable to the segments and items that are allocated to the segments on a reasonable basis.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the 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, income and expenses. However, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change affects.

The management’s judgments and estimates that have a significant impact on amounts in the consolidated financial statements are as follows:

- Measurement of inventories (Note 10)
- Impairment of non-financial assets (Notes 12, 13 and 14)
- Estimates of useful life and residual value of property, plant and equipment, investment properties and intangible assets (Notes 12, 13 and 14)
- Recoverability of deferred tax assets (Note 15)
- Accounting treatment for and valuation of provisions (Note 18)
- Employee benefits (Note 19)

5. New standards not yet applied

Principal new establishment or amendment of standards and interpretations that had been published by the approval date of the consolidated financial statements is as follows. The Group had not applied these standards and interpretations at the end of the fiscal year under review. The impact of the application on the Group is under review and cannot be estimated at this time.

Standard	Name of standard	Timing of mandatory application (fiscal year in which the application commences)	Fiscal year in which the Company applies the standard	Overview of new establishment and amendment
IAS 19	Employee Benefits	Jan. 1, 2013	Fiscal year ending Nov. 30, 2014	Recognition of actuarial gains and losses and past service cost, and presentation and disclosure of post-employment benefits
IFRS 9	Financial Instruments	–	–	Supersedence of a part of former IAS 39 with regard to classification, measurement and recognition of financial assets and liabilities
IFRS 10	Consolidated Financial Statements	Jan. 1, 2013	Fiscal year ending Nov. 30, 2014	Clarification and application of the concept of control as a basis to determine which entities are to be consolidated
IFRS 11	Joint Arrangements	Jan. 1, 2013	Fiscal year ending Nov. 30, 2014	Principles for the financial reporting by parties to a joint arrangement, and supersedence of former IAS 31 and SIC 13
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2013	Fiscal year ending Nov. 30, 2014	Disclosure requirements on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities
IFRS 13	Fair Value Measurement	Jan. 1, 2013	Fiscal year ending Nov. 30, 2014	Establishment of a framework when other standards require fair value measurement

6. Segment information

(1) Summary of reportable segments

The Group’s reportable segments constitute the Group for which separate financial information is available. The Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess performance of each segment. The Group draws up comprehensive strategies for each of the following businesses and conducts business activities accordingly; “Revitalization Business,” “Development Business,” “Rental Business,” “Fund and Consulting Business,” “Property Management Business” and “Alternative Investment Business.” These six businesses constitute our reportable segments. 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 apartments and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services. In the Alternative Investment Business, the Group acquires real estate collateralized loans and sells the properties acquired through collection of debt and acceptance of substitute performance.

As from the first quarter of the fiscal year under review, the name of “Fund Business” has been changed to the “Fund and Consulting Business.” This amendment was made only to the name of the business segment, and there was no change in the segmentation.

(2) Method for calculating revenue, profit or loss and other items by reportable segment

The methods of accounting applied in the reported operating segments are consistent with the accounting policies adopted by the Group.

The reportable segment profit is calculated on an operating profit basis. Intersegment revenue or transfers are based on actual market prices.

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

Fiscal year ended November 30, 2012
(December 1, 2011 – November 30, 2012)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Alternative Investment Business	Adjustment	Total
Revenue								
Revenue from external customers	5,980,183	10,985,270	2,455,286	776,723	3,156,589	841,747	–	24,195,800
Intersegment revenue	–	274,003	55,044	23,065	343,859	2,269	(698,243)	–
Total	5,980,183	11,259,274	2,510,331	799,788	3,500,448	844,017	(698,243)	24,195,800
Segment profit (loss)	273,405	2,197,549	1,340,024	181,737	(11,365)	82,365	(1,207,061)	2,856,655
Finance income/costs, net								(638,023)
Profit before tax								2,218,631
Other items								
Depreciation expense	–	–	94,018	5,424	19,723	15,822	45,338	180,327

Notes: 1. The details of adjustment are as follows:

(1) Adjustment of segment profit (loss) of ¥(1,207,061) thousand includes eliminations of intersegment transactions of ¥(12,536) thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(1,194,525) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.

(2) Adjustment of depreciation of ¥45,338 thousand consists of corporate expenses that are not attributable to any particular reportable segment.

2. Segment profit (loss) is adjusted to operating profit in the consolidated statements of comprehensive income.

Fiscal year ended November 30, 2013
(December 1, 2012 – November 30, 2013)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Alternative Investment Business	Adjustment	Total
Revenue								
Revenue from external customers	11,098,020	16,347,700	2,647,153	1,398,239	3,160,312	418,918	–	35,070,345
Intersegment revenue	–	–	56,559	21,654	381,595	21,195	(481,004)	–
Total	11,098,020	16,347,700	2,703,713	1,419,893	3,541,908	440,113	(481,004)	35,070,345
Segment profit	1,398,665	1,447,316	1,590,390	669,997	122,257	73,024	(1,392,047)	3,909,604
Finance income/costs, net								(692,332)
Profit before tax								3,217,272
Other items								
Depreciation expense	–	–	102,199	4,209	10,681	14,505	41,884	173,480

Notes: 1. The details of adjustment are as follows:

(1) Adjustment of segment profit of ¥(1,392,047) thousand includes eliminations of intersegment transactions of ¥(24,099) thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(1,367,947) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.

(2) Adjustment of depreciation of ¥41,884 thousand consists of corporate expenses that are not attributable to any particular reportable segment.

2. Segment profit is adjusted to operating profit in the consolidated statements of comprehensive income.

(3) Income from principal products and services

This information is omitted since similar information is disclosed in “(2) Method for calculating revenue, profit or loss and other items by reportable segment.”

(4) Information by geographical area

This information is omitted since the amount of non-current assets located in Japan and revenue from external customers in Japan account for large portions of non-current assets and total revenue, respectively.

(5) Information on major customers

There was no revenue from a single external customer accounting for 10% or more of revenue in the consolidated statement of comprehensive income.

7. Cash and cash equivalents

Components of cash and cash equivalents are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Cash and deposits	8,754,872	14,621,991
Short-term deposits	655,750	90,005
Cash and cash equivalents in the consolidated statements of cash flows	9,410,622	14,711,997

8. Available-for-sale financial assets

Components of available-for-sale financial assets are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Shares	1,200	1,200
Bonds	20,000	–
Investment trust beneficiary certificate	20,681	1,242
Preferred securities	133,350	716,650
Investments in silent partnership	217,769	70,952
Other	27,060	20,060
Total	420,061	810,105

Current assets	10,000	–
Non-current assets	410,061	810,105

9. Trade and other receivables

Components of trade and other receivables are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Trade notes and accounts receivable	480,654	415,301
Other accounts receivable	936,189	29,256
Current advances to suppliers	77,899	208,116
Deposits and guarantee money	154,296	183,540
Claims provable in bankruptcy, claims provable in rehabilitation and other	85,889	79,211
Other	399,986	257,716
Receivables due from related parties	110	–
Allowance for credit losses	(90,547)	(82,126)
Total	2,044,478	1,091,016

Current assets	1,884,308	902,131
Non-current assets	160,170	188,884

The amount net of allowance for credit losses is presented in the consolidated statement of financial position.

10. Inventories

Components of inventories are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Real estate for sale	31,826,229	31,838,838
Real estate for sale in process	5,591,146	6,201,786
Total	37,417,375	38,040,625
Inventories scheduled to be sold after 12 months	15,308,762	12,505,128

Inventories recognized as expenses in the previous fiscal year and the fiscal year under review were ¥14,581,952 thousand and ¥24,155,050 thousand, respectively.

Inventories recorded at fair value net of selling expenses at the end of the previous fiscal year and the fiscal year under review were ¥8,802,924 thousand and ¥5,606,917 thousand, respectively.

Of the Group’s inventory balance, ¥37,046,055 thousand and ¥36,787,918 thousand were pledged as collateral on borrowings as of November 30, 2012 and 2013, respectively.

The above figures include real estate for sale and real estate for sale in process to be sold after 12 months after respective fiscal years. However, since these properties are held within the normal operating cycle, they are included in inventories.

Borrowing costs capitalized in the previous fiscal year and the fiscal year under review were ¥127,805 thousand and ¥102,594 thousand, respectively.

Components of expenses for inventories recognized as loss on valuation and reversal of the loss are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Loss on valuation	(413,425)	(348,402)
Reversal of loss on valuation	–	64,330

The reversal of loss on valuation is mainly due to an improvement of conditions in the real estate market.

11. Other assets

Components of other assets are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Supplies	2,426	4,781
Membership	4,014	4,014
Other	20,000	20,000
Total	26,440	28,795

Current assets	22,426	24,781
Non-current assets	4,014	4,014

12. Property, plant and equipment

Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of property, plant and equipment are as follows:

(¥ thousand)

	Buildings and structures	Land	Other	Total
Acquisition cost				
Balance as of December 1, 2011	1,210,068	2,219,719	92,209	3,521,997
Acquisition	2,210	–	33,505	35,715
Sales or disposal	(4,254)	–	(17,908)	(22,162)
Balance as of November 30, 2012	1,208,024	2,219,719	107,806	3,535,550
Acquisition	4,066	–	9,996	14,062
Sales or disposal	–	–	(1,225)	(1,225)
Balance as of November 30, 2013	1,212,090	2,219,719	116,577	3,548,386
Accumulated depreciation and impairment loss				
Balance as of December 1, 2011	119,376	–	61,358	180,734
Depreciation expense	24,704	–	18,518	43,222
Sales or disposal	(2,486)	–	(17,368)	(19,855)
Balance as of November 30, 2012	141,593	–	62,508	204,102
Depreciation expense	24,418	–	16,115	40,533
Sales or disposal	–	–	(1,041)	(1,041)
Balance as of November 30, 2013	166,011	–	77,582	243,594
Carrying amount				
As of December 1, 2011	1,090,691	2,219,719	30,851	3,341,262
As of November 30, 2012	1,066,430	2,219,719	45,297	3,331,447
As of November 30, 2013	1,046,078	2,219,719	38,994	3,304,792

The carrying amounts of leased assets under finance leases as of November 30, 2012 and 2013 were ¥6,333 thousand and ¥4,646 thousand, respectively.

Of the balance of the Group’s property, plant and equipment as of November 30, 2012 and 2013, ¥3,271,156 thousand and ¥3,249,859 thousand were pledged as collateral on loans payable, respectively. Depreciation is recorded in “Cost of revenue” and “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

13. Investment properties

(1) Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of investment properties are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Acquisition cost		
Balance at beginning of period	12,239,293	12,694,507
Acquisition	114,956	525,736
Sales or disposal	(219,928)	–
Transfer	560,185	483,269
Balance at end of period	12,694,507	13,703,512
Accumulated depreciation and impairment loss		
Balance at beginning of period	861,237	998,786
Depreciation expense	107,278	113,264
Sales or disposal	(17,074)	–
Transfer	47,344	(112,138)
Balance at end of period	998,786	999,911
Carrying amount at end of period	11,695,720	12,703,600

Depreciation expense is recorded in “Cost of revenue” in the consolidated statement of comprehensive income.

Of the balance of the Group’s investment properties as of November 30, 2012 and 2013, ¥11,424,921 thousand and ¥12,057,084 thousand were pledged as collateral on loans payable, respectively.

(2) Fair value

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Fair value	14,158,640	16,797,620
Rent income from investment properties	843,397	858,306
Direct expenses incidental to rent income	299,598	273,016

The fair value of investment properties was internally calculated in accordance with the Real Estate Appraisal Standards.

14. Intangible assets

Changes in acquisition cost, accumulated amortization and accumulated impairment loss of intangible assets are as follows:

(¥ thousand)

	Software	Other	Total
Acquisition cost			
Balance as of December 1, 2011	170,804	1,889	172,693
Acquisition	6,060	–	6,060
Sales or disposal	(3,014)	–	(3,014)
Balance as of November 30, 2012	173,849	1,889	175,738
Acquisition	8,130	–	8,130
Sales or disposal	–	–	–
Balance as of November 30, 2013	181,979	1,889	183,868
Accumulated amortization and accumulated impairment loss			
Balance as of December 1, 2011	105,836	–	105,836
Amortization expense	29,825	–	29,825
Sales or disposal	(3,014)	–	(3,014)
Balance as of November 30, 2012	132,647	–	132,647
Amortization expense	19,623	–	19,623
Sales or disposal	–	–	–
Balance as of November 30, 2013	152,270	–	152,270
Carrying amount			
As of December 1, 2011	64,967	1,889	66,856
As of November 30, 2012	41,202	1,889	43,091
As of November 30, 2013	29,709	1,889	31,598

Amortization expense of intangible assets is recorded in “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

15. Deferred taxes and income tax expense

(1) Deferred taxes

Main components of deferred tax assets and liabilities are as follows:

Fiscal year ended November 30, 2012 (December 1, 2011 – November 30, 2012)

(¥ thousand)

	As of December 1, 2011	Recognized through profit or loss	Recognized in other comprehensive income	As of November 30, 2012
Deferred tax assets				
Accrued enterprise taxes	13,875	(3,715)	–	10,160
Gain or loss on valuation of inventories	–	27,173	–	27,173
Advertising expenses, etc., currently not deductible	56,407	(1,069)	–	55,337
Unrealized gain from substitute performance	179,702	(25,010)	–	154,692
Provision for bonuses	55,372	5,858	–	61,231
Provision for retirement benefits	78,928	(2,083)	–	76,845
Provision for directors' retirement benefits	125,261	(7,743)	–	117,518
Impairment loss	68,248	(9,801)	–	58,447
Other	87,455	52,181	1,308	140,946
Unused tax losses	1,547,110	(1,022,327)	–	524,783
Subtotal	2,212,363	(986,537)	1,308	1,227,135
Valuation reserves	(487,701)	234,411	–	(253,290)
Total	1,724,661	(752,125)	1,308	973,844
Deferred tax liabilities				
Revaluation of fair value arising from assets and liabilities of subsidiaries	(135,442)	106,701	–	(28,740)
Other	(144,938)	552	–	(144,386)
Total	(280,380)	107,254	–	(173,126)
Deferred tax assets, net	1,444,281	(644,871)	1,308	800,718

Fiscal year ended November 30, 2013 (December 1, 2012 – November 30, 2013)

(¥ thousand)

	As of December 1, 2012	Recognized through profit or loss	Recognized in other comprehensive income	As of November 30, 2013
Deferred tax assets				
Accrued enterprise taxes	10,160	63,692	–	73,852
Gain or loss on valuation of inventories	27,173	(27,173)	–	–
Advertising expenses, etc., currently not deductible	55,337	13,832	–	69,170
Unrealized gain from substitute performance	154,692	–	–	154,692
Provision for bonuses	61,231	19,144	–	80,376
Provision for retirement benefits	76,845	14,648	–	91,493
Provision for directors' retirement benefits	117,518	9,146	–	126,664
Impairment loss	58,447	(839)	–	57,607
Other	140,946	(5,020)	(2,441)	133,483
Unused tax losses	524,783	(291,156)	–	233,627
Subtotal	1,227,135	(203,724)	(2,441)	1,020,968
Valuation reserves	(253,290)	(203,655)	–	(456,945)
Total	973,844	(407,379)	(2,441)	564,023
Deferred tax liabilities				
Revaluation of fair value arising from assets and liabilities of subsidiaries	(28,740)	28,740	–	–
Other	(144,386)	135,444	(719)	(9,660)
Total	(173,126)	164,184	(719)	(9,660)
Deferred tax assets, net	800,718	(243,194)	(3,161)	554,362

In recognizing deferred tax assets, the Group takes into account the possibility that deductible temporary differences or unused tax losses can be utilized for taxable income. In assessing the recoverability of deferred tax assets, the Group considers scheduled reversal of deferred tax liabilities, expected future taxable income and tax planning.

As a result of the assessment of recoverability of deferred tax assets as stated above, the Group has not recognized deferred tax assets for some of deductible temporary differences and unused tax losses. The amounts of deductible temporary differences and unused tax losses for which deferred tax assets have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Deductible temporary differences	253,290	271,602
Unused tax losses	–	185,343
Total	253,290	456,945

The expiry dates of unused tax losses for which deferred tax assets have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
First year	–	–
Second year	–	–
Third year	–	–
Fourth year	–	–
Fifth year or after	–	512,929
Total	–	512,929

For taxable temporary differences associated with investments in subsidiaries, as the Company may control their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period, deferred tax liabilities are not recognized. Such taxable temporary differences were ¥1,922,501 thousand and ¥1,833,682 thousand as of November 30, 2012 and 2013, respectively.

(2) Income tax expense

Major income taxes imposed on the Company are corporate tax (30.0% for the previous fiscal year and 28.0% for the fiscal year under review), inhabitant tax (20.7%) and office tax (7.5%). The resulting effective tax rate is 41.0% for the previous fiscal year and 38.01% for the fiscal year under review. However, corporate income tax rate for its overseas subsidiary is subject to the legislation at the location. In addition, following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rates adopted for the Company and its domestic subsidiaries were reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, has been imposed on the same for fiscal years beginning on or after April 1, 2012. In line with this, the statutory effective tax rate for the calculation of deferred tax assets and liabilities in association with temporary differences expected to be reversed on November 30, 2013 or later is 38.01%. For temporary differences expected to be reversed in and after the fiscal year beginning on December 1, 2015, the statutory effective tax rate for the calculation of deferred tax assets and liabilities is 35.64%.

Components of current and deferred tax expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Current tax expense		
Current tax expense on profit for the year	108,474	970,598
Total current tax expense	108,474	970,598
Deferred tax expense		
Origination and reversal of temporary differences	564,571	243,194
Differences due to changes in tax rates	80,300	–
Total deferred tax expense	644,871	243,194
Income tax expense	753,346	1,213,792

Current tax expense includes tax losses used to reduce tax expense for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense in the previous fiscal year and the fiscal year under review are immaterial.

Deferred tax expense includes tax losses for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense in the previous fiscal year and the fiscal year under review are immaterial.

Reconciliation between income tax expense calculated at the statutory effective tax rate and income tax expense recognized in the consolidated statement of comprehensive income is as follows. The statutory effective tax rate of 41.0% was applied in the previous fiscal year, but that of 38.01% was applied in the fiscal year under review due to the tax reform.

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Profit before tax	2,218,631	3,217,272
Income tax expense based on the statutory effective tax rate	909,638	1,222,885
Adjustments		
Expenses not deductible permanently	5,419	(32,578)
Changes in temporary differences, etc. for which deferred tax assets were not recognized	(229,085)	36,381
Remeasurement of deferred taxes - changes in tax rates	80,300	–
Other	(12,927)	(12,895)
Income tax expense	753,346	1,213,792

16. Trade and other payables

Components of trade and other payables are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Trade notes and accounts payable	1,670,415	728,753
Other accounts payable	228,059	254,852
Advances received	990,100	718,270
Guarantee deposits	2,130,063	2,103,626
Payables to related parties	341	105
Other	431,748	625,906
Total	5,450,729	4,431,515

Current assets	3,314,472	2,323,705
Non-current assets	2,136,256	2,107,809

17. Borrowings

Components of borrowings are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Current		
Current borrowings	384,400	6,000
Current portion of non-current borrowings	7,356,272	7,579,662
Lease obligations	1,771	1,771
Total	7,742,443	7,587,433
Non-current		
Non-current borrowings	24,654,459	27,446,053
Lease obligations	4,878	3,106
Total	24,659,337	27,449,160

Borrowings at the end of the previous fiscal year and the fiscal year under review include secured debts of ¥32,284,331 thousand and ¥34,986,075 thousand, respectively.

Inventories, investment properties and the land and building of the head office have been pledged as collateral.

The payment due dates of the Group’s borrowings are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Within 1 year	7,742,443	7,587,433
Over 1 year to 5 years	18,718,743	22,525,541
Over 5 years	5,940,594	4,923,619
Total	32,401,781	35,036,593

18. Provisions

Components and changes of provisions are as follows:

Fiscal year ended November 30, 2012 (December 1, 2011 – November 30, 2012)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Total
Balance as of December 1, 2011	155,840	26,069	24,710	206,619
Increase during the fiscal year	125,659	2,415	–	128,074
Decrease during the fiscal year (specific purposes)	(155,840)	–	–	(155,840)
Discounted interest costs	–	–	131	131
Balance as of November 30, 2012	125,659	28,484	24,842	178,985

Fiscal year ended November 30, 2013 (December 1, 2012 – November 30, 2013)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Total
Balance as of December 1, 2012	125,659	28,484	24,842	178,985
Increase during the fiscal year	177,029	3,610	–	180,640
Decrease during the fiscal year (specific purposes)	(125,659)	–	(973)	(126,632)
Discounted interest costs	–	–	134	134
Balance as of November 30, 2013	177,029	32,094	24,003	233,128

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Current liabilities	154,143	209,124
Non-current liabilities	24,842	24,003
Total	178,985	233,128

As asset retirement obligations, the disposal costs of some investment properties held by the Company, which contain asbestos or polychlorinated biphenyl (PCB) that must be treated in special ways specified by laws and regulations when they are dismantled or removed, are recognized.

These costs are expected to be paid principally after one year or more passed. However, the timing is affected by future business plans and other factors.

Provisions other than asset retirement obligations are expected to be expensed principally in the following fiscal year.

19. Employee benefits

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Liability for retirement benefits to employees	212,980	253,726
Liability for retirement benefits to key management personnel	328,667	354,205
Total	541,647	607,932

(1) Retirement benefits for employees

To cover payments of retirement benefits for employees, the Group has adopted defined benefit plans and defined contribution plans. The amount of benefits is determined based on salary level at the time of retirement, period of service and other factors.

i) Defined benefit plans

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Defined benefit obligations (with no plan assets)	235,706	267,507
Unrecognized actuarial differences	(22,726)	(13,781)
Defined benefit obligations in the consolidated statement of financial position	212,980	253,726

The components of retirement benefit costs recognized in profit or loss are as follows:

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Current service costs	34,588	39,642
Interest costs	3,906	3,564
Actuarial gains and losses	553	4,855
Impact of settlement (Note 2)	76,442	–
Total retirement benefit costs (Note 1)	115,491	48,062

Notes: 1. Retirement benefit costs are recorded in “Selling, general and administrative expenses.”
2. The impact of settlement of ¥76,442 thousand is due to the withdrawal from the Japan Housing Industry Employees’ Pension Fund.

Changes in the present value of defined benefit plan obligations are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2010	Fiscal year ended November 30, 2011	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Balance at beginning of period	136,356	166,419	192,812	235,706
Current service costs	28,695	30,364	34,588	39,642
Interest costs	2,990	3,447	3,906	3,564
Benefits paid	(6,332)	(3,992)	(17,105)	(10,298)
Actuarial gains and losses	4,709	(3,426)	21,505	(1,107)
Balance at end of period	166,419	192,812	235,706	267,507

Major assumptions used in actuarial calculation are as follows:

	As of November 30, 2012	As of November 30, 2013
Discount rate	1.55%	1.24%
Rate of salary increase	2.12%	2.12%

ii) Defined contribution plans

The amount of the entire Group's contributions is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Contributions	7,196	9,936

(2) Retirement benefits to key management personnel

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Balance at beginning of period	312,855	328,667
Provision for the benefits	23,675	33,869
Payment of the benefits	(7,864)	(8,331)
Balance at end of period	328,667	354,205

The above provisions are recorded at the amount the Group companies would be required to pay based on their internal regulations if all eligible such personnel retired at the end of the period.

This accounting policy is adopted because it is deemed difficult to make actuarial estimates and discount liability for retirement benefits to key management personnel highly reliably since the number of key management personnel of the Group is small and their age distribution is biased. The Group believes the foregoing amount that would be required to pay at the end of the period is the best estimate of liability for retirement benefits to key management personnel.

20. Equity and other components of equity

(1) Share capital and capital reserves

	Total number of shares authorized (shares)	Total number of shares issued (shares)	Share capital (¥ thousand)	Capital reserves (¥ thousand)
Balance as of December 1, 2011	1,500,000	456,840	5,454,673	5,516,499
Change	–	–	–	–
Balance as of November 30, 2012	1,500,000	456,840	5,454,673	5,516,499
Change (Notes 3 and 5)	148,500,000	47,827,160	966,719	858,818
Balance as of November 30, 2013	150,000,000	48,284,000	6,421,392	6,375,317

Notes: 1. Shares issued by the Company are ordinary shares without par value.
2. Issued shares are fully paid up.
3. The Articles of Incorporation were amended in association with the share split-up as of July 1, 2013, and the total number of shares authorized increased by 148,500,000 shares to 150,000,000 shares.
The number of shares issued increased by 45,227,160 shares due to the share split-up by 100 for 1 as of July 1, 2013, and by 2,600,000 shares to 48,284,000 shares because of the issue of new shares on July 25, 2013.
4. Capital reserves are mainly consisted of legal capital surplus.
5. Transaction costs accounted for as deduction from equity for the fiscal year under review was ¥107,900 thousand.

(2) Other components of equity

Fiscal year ended November 30, 2012 (December 1, 2011 – November 30, 2012)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in fair values of available-for-sale financial assets	Net change in fair values of cash flow hedges	Total
Balance as of December 1, 2011	–	(2,369)	–	(2,369)
Other comprehensive income	1,382	1,442	(3,751)	(926)
Balance as of November 30, 2012	1,382	(926)	(3,751)	(3,295)

Fiscal year ended November 30, 2013 (December. 1, 2012 – November 30, 2013)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in fair values of available-for-sale financial assets	Net change in fair values of cash flow hedges	Total
Balance as of December 1, 2012	1,382	(926)	(3,751)	(3,295)
Other comprehensive income	3,776	1,299	(431)	4,644
Balance as of November 30, 2013	5,158	372	(4,182)	1,348

i) Exchange differences on translation of foreign operations

These are exchange differences that arise when foreign operations' financial statements prepared in foreign currencies are consolidated.

ii) Net change in fair values of available-for-sale financial assets

This is unrealized gains and losses of fair values of available-for-sale financial assets.

iii) Net change in fair values of cash flow hedges

This is the portion considered effective of changes in fair values of derivative transactions that are designated as cash flow hedge.

21. Dividends

(1) Dividends paid

Fiscal year ended November 30, 2012 (December 1, 2011 – November 30, 2012)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 24, 2012	500	228,420	Nov. 30, 2011	Feb. 27, 2012

Fiscal year ended November 30, 2013 (December 1, 2012 – November 30, 2013)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 26, 2013	600	274,104	Nov. 30, 2012	Feb. 27, 2013

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

Fiscal year ended November 30, 2013 (December 1, 2012 – November 30, 2013)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 27, 2014	8	386,272	Nov. 30, 2013	Feb. 28, 2014

The Company split its shares by 100 for 1, effective July 1, 2013.

For dividends per share for dividends with the record date on or before June 30, 2013, figures before the share split are presented.

22. Revenue

Components of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Revenue from real estate for sale	17,623,887	27,700,735
Revenue from services	6,571,913	7,369,610
Total	24,195,800	35,070,345

23. Cost of revenue

Components of cost of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Cost of inventories sold	14,581,952	24,155,050
Depreciation expense	117,782	123,358
Gain or loss on valuation of inventories, net	413,425	284,072
Outsourcing costs and others	2,968,819	3,196,618
Total	18,081,979	27,759,099

24. Selling, general and administrative expenses

Components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Employee benefits expense	2,202,098	2,279,269
Advertising expenses	27,572	40,635
Compensations	192,541	213,437
Commission fee	167,587	194,678
Taxes and dues	265,958	352,909
Transportation expenses	45,365	57,766
Communication expenses	38,333	40,177
Stationery expenses	46,643	50,457
Depreciation and amortization expense	62,544	50,122
Provision of allowance for credit losses	78,132	0
Other	118,915	135,494
Total	3,245,692	3,414,950

25. Personnel cost

Components of personnel cost are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Salaries, bonuses and allowances	1,721,073	1,815,595
Retirement benefit costs	153,876	98,205
Legal welfare expenses	217,741	242,624
Other short-term employee benefits	109,406	122,844
Total	2,202,098	2,279,269

26. Other income

Components of other income are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Miscellaneous income	17,904	33,004
Total	17,904	33,004

27. Other expenses

Components of other expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Loss on sales of non-current assets	18,874	–
Loss on retirement of non-current assets	2,377	183
Loss on valuation of membership	4,366	–
Other (Note)	3,758	19,511
Total	29,377	19,695

Note: "Other" for the fiscal years ended November 30, 2012 and 2013 includes losses on exchange differences on translation of ¥1,448 thousand and ¥3,625 thousand, respectively.

28. Finance income/costs

Components of finance income/costs are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Interest income	1,678	2,303
Dividends income	2,861	1,164
Total finance income	4,540	3,467
Interest expenses (Note)	642,563	695,799
Total finance costs	642,563	695,799

Note: Commission expense incurred from financial liabilities not measured by fair values that were charged to profit and loss in the fiscal years ended November 30, 2012 and 2013 are ¥107,663 thousand and ¥56,371 thousand, respectively.

29. Other comprehensive income

For each item of comprehensive income, the amount arising during the period and reclassification adjustments to profit and loss and tax effect amount, which are included in "Other comprehensive income" in each fiscal year, are as follows:

Fiscal year ended November 30, 2012 (December 1, 2011 – November 30, 2012)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Exchange differences on translation of foreign operations	1,382	–	1,382	–	1,382
Net change in fair values of available-for-sale financial assets	2,575	–	2,575	(1,133)	1,442
Net change in fair values of cash flow hedges	(6,193)	–	(6,193)	2,441	(3,751)
Total	(2,235)	–	(2,235)	1,308	(926)

Fiscal year ended November 30, 2013 (December 1, 2012 – November 30, 2013)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Exchange differences on translation of foreign operations	3,776	–	3,776	–	3,776
Net change in fair values of available-for-sale financial assets	9,342	(7,323)	2,018	(719)	1,299
Net change in fair values of cash flow hedges	2,010	–	2,010	(2,441)	(431)
Total	15,129	(7,323)	7,805	(3,161)	4,644

30. Earnings per share

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Profit for the year attributable to owners of parent (¥ thousand)	1,465,284	2,003,480
Average number of outstanding ordinary shares during the period (shares)	45,684,000	46,602,904
Basic earnings per share (¥)	32.07	42.99

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

2. Information on diluted earnings per share is omitted due to an absence of potential shares.

3. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the basic earnings per share were calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year, which ended on November 30, 2012.

31. Financial instruments

(1) Capital control

The Group recognizes that it is necessary to secure sufficient fund-raising capacity in order to make flexible investments for achieving sustainable growth. To this end, the Group strives to ensure financial soundness and flexibility for future investments in businesses and establish a capital structure with balanced return on investment.

The Group is careful about the balance between cash and cash equivalents, interest-bearing debts and equity.

As of the end of each fiscal year, balances of cash and cash equivalents, interest-bearing debts and total equity are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Cash and cash equivalents	9,410,622	14,711,997
Interest-bearing debt	32,401,781	35,036,593
Total equity	26,543,892	30,102,468

There are no significant capital control applicable to the Group.

(2) Risk management

The Group is exposed to financial risks (exchange risk, interest rate risk, credit risk and liquidity risk) in the course of operating activities. In order to mitigate these financial risks, the Group conducts risk management. For risks that fundamentally cannot be prevented from arising from the cause (risk aversion) or avoided, the Group tries to reduce such risks. In addition, as its policy, the Group does not carry out trading of derivatives and shares, etc. for speculation purposes.

(3) Exchange risks

Exchange risks arise from transactions denominated in currencies other than the Group’s functional currency. Because there is no significant foreign currency transaction in the Group’s operating activities,

the Group is not exposed to significant exchange risks.
Furthermore, though other comprehensive income fluctuates due to currency transaction of financial statements of the Group's foreign operations, it believes that the impact on the Group is not significant.

(4) Interest rate risks

Interest risks principally arise from borrowings with floating interest rate from financial institutions. For management of these risks, the Finance and Accounting Department periodically makes a list of interests on borrowings for each financial institution and monitors the fluctuations of interests on borrowings.

Interest rate sensitivity analysis

For borrowings with floating interest rate held by the Group as of the end of each fiscal year, the impact of a 1.0% increase in the interest rate on profit before tax in the consolidated statement of comprehensive income is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Impact on profit before tax	(303,374)	(326,387)

(5) Credit risks

Financial assets included in 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.
The maximum exposure to credit risks of financial assets is the book value of financial assets after impairment presented in the consolidated financial statement of financial position.

i) Past due financial assets

The age analysis of financial assets included in trade and other receivables that were past due but not impaired as of the end of fiscal year is as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Within 3 months past due	20,005	17,155
Over 3 months and within 6 months past due	224	280
Over 6 months past due	108	–
Total	20,338	17,436

ii) Impaired financial assets

The Group individually reviews financial position, credit status and collection of receivables and other factors of major business partners to establish allowance for credit losses.
Trade and other receivables that were individually determined as impaired at the end of fiscal year are as follows:

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Trade and other receivables	88,297	81,164
Allowance for credit losses	(86,821)	(80,418)
Total	1,476	745

iii) Changes in allowance for credit losses

If a financial asset is impaired, the Group records allowance for credit losses for the impairment rather than directly decreasing the book value of the financial asset. Changes in allowance for credit losses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Balance at beginning of period	18,181	90,547
Amount provided in the fiscal year	87,433	4,708
Decrease during the fiscal year (reversal)	(4,753)	(1,005)
Decrease during the fiscal year (utilization of allowance)	(10,314)	(12,123)
Balance at end of period	90,547	82,126

(6) Liquidity risks

Since the Group raises funds through borrowings from financial institutions, it is exposed to liquidity risks of failure to make payments on due dates because of deterioration in the financing environment, etc.

The Company's Finance and Accounting Department periodically grasps and aggregates information on the situations of liquidity on hand and interest-bearing debts, etc. and reports such information to the management meeting.

The balances of financial liabilities by due date are as follows:

(¥ thousand)

	Within 1 year	Over 1 year within 5 years	Over 5 years	Total
As of November 30, 2012				
Non-derivative financial liabilities				
Trade and other payables	2,159,799	1,236,001	894,062	4,289,863
Borrowings	7,742,443	18,718,743	5,940,594	32,401,781
Derivative financial liabilities				
Trade and other payables	–	6,193	–	6,193
As of November 30, 2013				
Non-derivative financial liabilities				
Trade and other payables	1,252,489	1,335,607	768,018	3,356,115
Borrowings	7,587,433	22,525,541	4,923,619	35,036,593
Derivative financial liabilities				
Trade and other payables	–	4,182	–	4,182

(7) Fair value measurement

i) Fair values and carrying amounts

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

(¥ thousand)

	As of November 30, 2012		As of November 30, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	9,410,622	9,410,622	14,711,997	14,711,997
Available-for-sale financial assets	420,061	420,061	810,105	810,105
Trade and other receivables (Note 1)	2,044,478	2,044,478	1,091,016	1,091,016
Trade and other payables (Note 2)	5,450,729	5,450,729	4,431,515	4,431,515
Borrowings	32,401,781	32,411,027	35,036,593	35,050,814

Notes: 1. The above carrying amount shows the figure in the consolidated statement of financial position. Of these amounts, financial assets at amortized cost, which are financial instruments, as of November 30, 2012 and 2013 are ¥1,677,043 thousand and ¥721,210 thousand, respectively.

2. The above carrying amount shows the figure in the consolidated statement of financial position. Of these amounts, financial liabilities at amortized cost, which are financial instruments, as of November 30, 2012 and 2013 are ¥4,289,863 thousand and ¥3,356,115 thousand, respectively.

Method for measuring fair value of financial instruments

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

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

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

Available-for-sale financial assets

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

Non-current borrowings

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

ii) Fair value hierarchy

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

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

(¥ thousand)

	As of November 30, 2012			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	20,643	20,038	379,379	420,061
Financial liabilities measured at fair value with the change in fair value recognized through profit or loss (derivative) (Note)	–	6,193	–	6,193

(¥ thousand)

	As of November 30, 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,204	38	808,862	810,105
Financial liabilities measured at fair value with the change in fair value recognized through profit or loss (derivative) (Note)	–	4,182	–	4,182

Note: These are interest rate swap contracts concluded in order to hedge changes in future cash flows associated with floating-rate borrowings. The estimated period of cash flows arising in association with designated cash flow hedges and the period in which they are expected to have impact on profit or loss is two years or less after the end of the fiscal year under review.

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)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Balance at beginning of period	359,565	379,379
Acquisition	22,000	667,000
Comprehensive income		
Profit (loss) (Note 1)	(2,036)	1,183
Other comprehensive income (Note 2)	–	–
Decrease due to new consolidation of subsidiaries (Note 3)	–	(20,000)
Disposal	(150)	(218,700)
Balance at end of period	379,379	808,862

Notes: 1. All of the amounts are related to the Fund and Consulting Business, which are included in “Revenue” or “Cost of revenue” in each fiscal year.

2. The Group mainly uses the discounted cash flow method as valuation techniques. However, as the result of such valuation is the same as the book value, no amount is recognized in other comprehensive income.

3. As NAI TOSEI Japan, Inc. (formerly Sannomiya Real Estate Sales LLC), which had been a non-consolidated subsidiary until the previous fiscal year due to obvious immateriality, began operations in the fiscal year under review and its materiality increased, it was included in the scope of consolidation in the fiscal year under review. Therefore, the amount of shares in NAI TOSEI Japan, which had been previously included in available-for-sale financial assets, decreased.

32. Operating leases

The Group lends offices and residences to non-related parties under operating lease contracts, some of which contain the clause that specifies the contract is irrevocable for a certain period of time. Future minimum lease payments received under irrevocable operating leases are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Due within 1 year	605,926	311,663
Due over 1 year through 5 years	1,567,905	578,182
Total	2,173,831	889,846

33. Related parties

(1) Transactions with related parties

The Group conducts transactions with key management personnel as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Trade and other receivables	110	–
Trade and other payables	341	105
Revenue	15,689	500
Selling, general and administrative expenses	–	613
Total	16,141	1,218

Transactions with related parties are conducted on the same terms as ordinary business transactions.

(2) Compensation for principal key management personnel

Compensation for principal key management personnel is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Short-term employee benefits	217,126	262,243
Retirement benefits	23,675	33,869
Total	240,801	296,112

34. Contingencies

None

35. Subsequent events

None

36. Significant subsidiaries

The Company’s significant subsidiaries are as described in “I. Overview of the Tosei Group, 4. Status of subsidiaries and associates.”

e. Supplementary statements–consolidated

[Detailed statement of bonds issued]

None

[Detailed statement of borrowings]

Category	Balance as of Dec. 1, 2012 (¥ thousand)	Balance as of Nov. 30, 2013 (¥ thousand)	Average interest rate (%)	Repayment due
Current borrowings	384,400	6,000	1.97	–
Current portion of non-current borrowings	7,356,272	7,579,662	1.97	–
Current portion of lease obligations	1,771	1,771	–	–
Non-current borrowings (excluding current portion)	24,654,459	27,446,053	1.97	2014–2032
Lease obligations (excluding current portion)	4,878	3,106	–	2014–2016
Other interest-bearing debts	–	–	–	–
Total	32,401,781	35,036,593	–	–

Notes: 1. "Average interest rate" shows weighted average interest rate on the ending balance of loans payable.

2. Repayment of non-current borrowings and lease obligations (excluding current portion) scheduled within five years after the closing date of accounting period are as follows:

(¥ thousand)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Non-current borrowings	7,817,052	7,805,423	3,265,924	3,634,035
Lease obligations	1,771	1,335	–	–

[Detailed statement of asset retirement obligations]

This information is described in "18. Provisions" of the notes to the consolidated financial statements.

(2) Others

Quarterly data of the fiscal year ended November 30, 2013

(Cumulative period)	First quarter (Three months ended Feb. 28, 2013)	Second quarter (Six months ended May 31, 2013)	Third quarter (Nine months ended Aug. 31, 2013)	Fiscal year ended November 30, 2013
Revenue (¥ thousand)	15,501,359	23,090,689	29,097,107	35,070,345
Profit before tax (¥ thousand)	1,407,466	2,384,839	3,072,369	3,217,272
Profit for the period (year) attributable to owners of parent (¥ thousand)	866,327	1,461,279	1,921,597	2,003,480
Basic earnings per share (¥)	18.96	31.99	41.73	42.99

(Each quarter)	First quarter (Dec. 1, 2012 – Feb. 28, 2013)	Second quarter (Mar. 1, 2013 – May 31, 2013)	Third quarter (Jun. 1, 2013 – Aug. 31, 2013)	Fourth quarter (Sep. 1, 2013 – Nov. 30, 2013)
Basic earnings per share (¥)	18.96	13.02	9.84	1.17

Note: The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, the basic earnings per share were calculated on the assumption that the share split was implemented at the beginning of the previous fiscal year ended November 30, 2012.

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

a. Non-consolidated balance sheets

(¥ thousand)

		As of November 30, 2012		As of November 30, 2013
Assets				
Current assets				
Cash and deposits	*1	8,113,658	*1	12,914,102
Accounts receivable-trade		176,295		75,673
Securities		10,000		–
Real estate for sale	*1	30,641,962	*1	30,881,888
Real estate for sale in process	*1	5,358,697	*1	6,222,981
Supplies		1,228		2,765
Advance payments-trade		77,899		208,116
Prepaid expenses		254,028		191,683
Short-term loans receivable from subsidiaries and affiliates		379,000		50,000
Deferred tax assets		517,474		183,830
Accounts receivable-other		819,517		29,032
Other		104,755		32,125
Allowance for doubtful accounts		(3,528)		(827)
Total current assets		46,450,989		50,791,372
Non-current assets				
Property, plant and equipment				
Buildings	*1	4,998,258	*1	5,400,040
Accumulated depreciation		(1,015,923)		(1,018,565)
Buildings, net		3,982,335		4,381,474
Structures		22,137		22,137
Accumulated depreciation		(14,350)		(15,256)
Structures, net		7,787		6,881
Machinery and equipment		880		880
Accumulated depreciation		(704)		(759)
Machinery and equipment, net		175		120
Vehicles		12,581		12,581
Accumulated depreciation		(2,793)		(6,052)
Vehicles, net		9,788		6,528
Tools, furniture and fixtures		101,426		106,432
Accumulated depreciation		(79,524)		(83,570)
Tools, furniture and fixtures, net		21,902		22,861
Land	*1	9,552,984	*1	10,033,045
Lease assets		6,748		6,748
Accumulated depreciation		(415)		(2,102)
Lease assets, net		6,333		4,646
Total property, plant and equipment		13,581,306		14,455,559
Intangible assets				
Software		36,501		28,059
Telephone subscription right		1,889		1,889
Total intangible assets		38,390		29,948

(¥ thousand)

		As of November 30, 2012		As of November 30, 2013
Investments and other assets				
Investment securities		383,001		790,045
Stocks of subsidiaries and affiliates		824,119		889,119
Investments in capital		6,000		4,000
Long-term loans receivable		3,355		3,286
Claims provable in bankruptcy, claims provable in rehabilitation and other		6,997		5,305
Lease and guarantee deposits		148,995		164,716
Deferred tax assets		18,453		74,762
Other		4,014		4,014
Allowance for doubtful accounts		(5,545)		(4,875)
Total investments and other assets		1,389,392		1,930,375
Total non-current assets		15,009,089		16,415,883
Total assets		61,460,079		67,207,256
Liabilities				
Current liabilities				
Notes payable-trade		1,119,380		299,715
Accounts payable-trade		387,572		212,973
Short-term loans payable	*1	384,400	*1	6,000
Current portion of long-term loans payable	*1, 3	7,103,187	*1, 3	6,559,368
Lease obligations		1,771		1,771
Accounts payable-other		211,599		236,582
Accrued expenses		28,953		39,807
Income taxes payable		25,021		757,527
Accrued consumption taxes		–		186,191
Advances received		965,969		699,094
Unearned revenue		–		8
Deposits received		31,446		31,292
Provision for bonuses		89,826		114,405
Total current liabilities		10,349,128		9,144,737
Non-current liabilities				
Long-term loans payable	*1, 3	22,856,149	*1, 3	26,489,109
Guarantee deposits		2,045,612		2,023,929
Lease obligations		4,878		3,106
Provision for retirement benefits		149,101		181,256
Provision for directors' retirement benefits		302,747		325,219
Allowance for Investment loss		28,596		–
Asset retirement obligations		24,842		24,003
Total non-current liabilities		25,411,927		29,046,624
Total liabilities		35,761,055		38,191,362

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Net assets		
Shareholders’ equity		
Capital stock	5,454,673	6,421,392
Capital surplus		
Legal capital surplus	5,538,149	6,504,868
Total capital surplus	5,538,149	6,504,868
Retained earnings		
Legal retained earnings	7,250	7,250
Other retained earnings		
General reserve	15,000	15,000
Retained earnings brought forward	14,684,877	16,067,010
Total retained earnings	14,707,127	16,089,260
Total shareholders’ equity	25,699,950	29,015,521
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(926)	372
Total valuation and translation adjustments	(926)	372
Total net assets	25,699,023	29,015,893
Total liabilities and net assets	61,460,079	67,207,256

b. Non-consolidated statements of operations

(¥ thousand)

		Fiscal year ended November 30, 2012		Fiscal year ended November 30, 2013
Net sales				
Sales on revitalization business		5,531,217		11,098,020
Sales on development business		11,242,479		15,578,640
Sales on rental business		2,471,754		2,626,736
sales on fund and consulting business		186,240		741,521
Total net sales		19,431,692		30,044,918
Cost of sales				
Revitalization business cost		5,027,960		9,450,054
Development business cost		8,833,069		13,853,147
Rental business cost		1,017,855		1,011,866
Fund and consulting business cost		42,968		155,884
Total cost of sales		14,921,854		24,470,952
Gross profit		4,509,838		5,573,966
Selling, general and administrative expenses	*2	1,938,412	*2	2,185,879
Operating income		2,571,426		3,388,086
Non-operating income				
Interest income	*1	7,847	*1	5,865
Dividends income		2,821		1,124
Reversal of allowance for doubtful accounts		457		2,365
Miscellaneous income	*1	18,959	*1	22,146
Total non-operating income		30,086		31,501
Non-operating expenses				
Interest expenses		581,703		646,351
Stock issuance cost		–		107,900
Foreign exchange losses		1,448		3,625
Miscellaneous loss		2,222		7,000
Total non-operating expenses		585,374		764,877
Ordinary income		2,016,138		2,654,711
Extraordinary income				
Gain on sales of investment securities		–		7,323
Reversal of allowance for investment loss		102,652		28,596
Total extraordinary income		102,652		35,920
Extraordinary loss				
Loss on retirement of non-current assets	*3	1,585	*3	167
Loss on valuation of membership		4,366		–
Total extraordinary loss		5,951		167
Income before income taxes		2,112,838		2,690,464
Income taxes-current		3,800		757,611
Income taxes-deferred		910,625		276,615
Total income taxes		914,425		1,034,227
Net income		1,198,413		1,656,236

Detailed schedule of cost of sales

Schedule of the cost in the Revitalization Business

		Fiscal year ended November 30, 2012		Fiscal year ended November 30, 2013	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land		2,520,736	50.1	6,046,458	64.0
II. Acquisition and improvement cost of buildings		1,846,587	36.7	2,636,788	27.9
III. Overhead costs		295,928	5.9	482,735	5.1
IV. Book values written down following a decline in the revenue in the revenue expected to be generated from the inventories		364,709	7.3	284,072	3.0
Total		5,027,960	100.0	9,450,054	100.0

(Note) The cost is calculated based on specific-order cost system.

Schedule of the cost in the Development Business

		Fiscal year ended November 30, 2012		Fiscal year ended November 30, 2013	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land costs		4,535,175	51.3	7,912,901	57.1
II. Construction costs		3,248,062	36.8	5,068,037	36.6
III. Overhead costs		1,003,680	11.4	872,207	6.3
IV. Book values written down following a decline in the revenue in the revenue expected to be generated from the inventories		46,152	0.5	–	–
Total		8,833,069	100.0	13,853,147	100.0

(Note) The cost is calculated based on specific-order cost system.

Schedule of the cost in the Rental Business

		Fiscal year ended November 30, 2012		Fiscal year ended November 30, 2013	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		218,544	21.5	232,713	23.0
II. Miscellaneous expenses		799,311	78.5	779,153	77.0
[Of which taxes and dues]		[228,473]		[214,989]	
[Of which depreciation and amortization]		[101,720]		[103,590]	
[Of which water and power]		[207,684]		[233,703]	
Total		1,017,855	100.0	1,011,866	100.0

Schedule of the cost in the Fund and Consulting Business

		Fiscal year ended November 30, 2012		Fiscal year ended November 30, 2013	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
Miscellaneous expenses		42,968	100.0	155,884	100.0
Total		42,968	100.0	155,884	100.0

c. Non-consolidated statements of changes in net assets

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	5,454,673	5,454,673
Changes of items during the period		
Issuance of new shares	–	966,719
Total changes of items during the period	–	966,719
Balance at the end of current period	5,454,673	6,421,392
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	5,538,149	5,538,149
Changes of items during the period		
Issuance of new shares	–	966,719
Total changes of items during the period	–	966,719
Balance at the end of current period	5,538,149	6,504,868
Total capital surplus		
Balance at the beginning of current period	5,538,149	5,538,149
Changes of items during the period		
Issuance of new shares	–	966,719
Total changes of items during the period	–	966,719
Balance at the end of current period	5,538,149	6,504,868
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	7,250	7,250
Balance at the end of current period	7,250	7,250
Other retained earnings		
General reserve		
Balance at the beginning of current period	15,000	15,000
Balance at the end of current period	15,000	15,000
Retained earnings brought forward		
Balance at the beginning of current period	13,369,731	14,684,877
Cumulative effect of changes in accounting policies	345,153	–
Retained earnings brought forward as restated	13,714,884	14,684,877
Changes of items during the period		
Dividends from surplus	(228,420)	(274,104)
Net income	1,198,413	1,656,236
Total changes of items during the period	969,993	1,382,132
Balance at the end of current period	14,684,877	16,067,010
Total retained earnings		
Balance at the beginning of current period	13,391,981	14,707,127
Cumulative effect of changes in accounting policies	345,153	–
Retained earnings as restated	13,737,134	14,707,127
Changes of items during the period		
Dividends from surplus	(228,420)	(274,104)
Net income	1,198,413	1,656,236
Total changes of items during the period	969,993	1,382,132
Balance at the end of current period	14,707,127	16,089,260

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Total shareholders' equity		
Balance at the beginning of current period	24,384,803	25,699,950
Cumulative effect of changes in accounting policies	345,153	–
Shareholders equity as restated	24,729,957	25,699,950
Changes of items during the period		
Issuance of new shares	–	1,933,438
Dividends from surplus	(228,420)	(274,104)
Net income	1,198,413	1,656,236
Total changes of items during the period	969,993	3,315,570
Balance at the end of current period	25,699,950	29,015,521
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(2,369)	(926)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,442	1,299
Total changes of items during the period	1,442	1,299
Balance at the end of current period	(926)	372
Total valuation and translation adjustments		
Balance at the beginning of current period	(2,369)	(926)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,442	1,299
Total changes of items during the period	1,442	1,299
Balance at the end of current period	(926)	372
Net assets		
Balance at the beginning of current period	24,382,434	25,699,023
Cumulative effect of changes in accounting policies	345,153	–
Net assets as restated	24,727,588	25,699,023
Changes of items during the period		
Issuance of new shares	–	1,933,438
Dividends from surplus	(228,420)	(274,104)
Net income	1,198,413	1,656,236
Net changes of items other than shareholders' equity	1,442	1,299
Total changes of items during the period	971,435	3,316,870
Balance at the end of current period	25,699,023	29,015,893

[Notes to Non-consolidated Financial Statements]

Significant accounting policies

1. Valuation basis and methods for securities

(1) Stocks of subsidiaries

Stated at cost determined by the moving-average method

(2) Available-for-sale securities

1) With market value

Stated at fair value based on market value and others as of the balance sheet date (unrealized gains and losses are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method).

2) Without market value

Stated at cost determined by the moving-average method.

2. 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.

(1) Real estate for sale and real estate for sale in process

Specific identification method

(2) Supplies

Last purchase price method

3. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding lease assets)

Mainly the straight-line method is applied.

Useful lives of major items:

Buildings	3 to 50 years
Structures	10 to 30 years
Machinery and equipment	8 years
Tools, furniture and fixtures	3 to 20 years

(2) Intangible assets (excluding lease assets)

Straight-line method

Internal use software is 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.

4. Deferred assets

Stock issuance cost: Recorded as expenses when incurred

5. 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 as the profit or loss.

6. Provisions

(1) Allowance for doubtful accounts

To cover losses from bad debts, allowance for doubtful accounts 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.

Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.

(4) Provision for directors' retirement benefits

Provision for directors' retirement benefits is provided in the amount required as of the fiscal year-end to cover retirement benefit payments to directors and Audit & Supervisory Board Members according to the rule for retirement benefits to directors and Audit & Supervisory Board Members as of the fiscal year-end.

7. Other significant matters for preparing financial statements

Accounting treatment for consumption taxes

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

Change in accounting policy

<u>Accounting treatment for rent income</u>

Rent income during the free rent period was previously recognized as revenue after the termination of the free rent period. However, the accounting treatment for such income was changed to the method where revenue is recognized over the contract period. As a result of reviews conducted in the wake of the disclosure of consolidated financial statements under IFRS in Japan starting the fiscal year under review, it turned out that the importance of rent income during the free rent has been growing and that in practice, rental contacts continue even after the termination of the free rent period. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group.

This change in the accounting policy is applied retrospectively. The non-consolidated financial statements for the previous fiscal year show figures after the retrospective application.

Consequently, compared with figures before the retrospective application, accounts receivable-trade increased by ¥158,595 thousand and retained earnings increased by ¥98,313 thousand in the non-consolidated balance sheet for the previous fiscal year, while in the non-consolidated statement of operations for the previous fiscal year, net sales increased by ¥8,603 thousand, ordinary income and income before income taxes each increased by ¥8,603 thousand, and net income increased by ¥9,687 thousand.

Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the non-consolidated statement of changes in net assets went up by ¥88,625 thousand after the retrospective application.

The effect on per share information is described in the relevant section.

<u>Accounting treatment for borrowing costs</u>

Loan processing fees in borrowing costs were previously expensed as they incurred. However, the accounting treatment for such fees was changed to the method where the fees are expensed over the borrowing period.

As a result of reviews conducted in the wake of the disclosure of consolidated financial statements under IFRS in Japan starting the fiscal year under review, it turned out that the importance of loan processing fees has been growing and that time distribution of these fees contributes more to appropriate periodical accounting of profit and loss. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group.

This change in the accounting policy is applied retrospectively. The non-consolidated financial statements for the previous fiscal year show figures after the retrospective application.

Consequently, compared with figures before the retrospective application, prepaid expenses increased by ¥191,222 thousand and retained earnings increased by ¥118,538 thousand in the non-consolidated balance sheet for the previous fiscal year, while in the non-consolidated statement of operations for the previous fiscal year, interest expenses decreased by ¥8,998 thousand, ordinary income and income before income taxes each increased by ¥8,998 thousand, and net income increased by ¥10,670 thousand.

Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the non-consolidated statement of changes in net assets went up by ¥107,867 thousand after the retrospective application.

The effect on per share information is described in the relevant section.

Calculation method for retirement benefit obligations

Previously, a simplified method was used in the calculation of retirement benefit obligations. However, the calculation method was changed to the principle method, starting the fiscal year under review.

As a result of reviews conducted in the wake of the disclosure of consolidated financial statements under IFRS in Japan starting the fiscal year under review, the change was made to reconsider a more reasonable method for calculating retirement benefit obligations in order to perform appropriate periodical accounting of profit and loss, and unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group.

This change in the accounting policy is applied retrospectively. The non-consolidated financial statements for the previous fiscal year show figures after the retrospective application.

Consequently, compared with figures before the retrospective application, provision for retirement benefits increased by ¥41,055 thousand and retained earnings decreased by ¥26,423 thousand in the non-consolidated balance sheet for the previous fiscal year, while in the non-consolidated statement of operations for the previous fiscal year, selling, general and administrative expenses increased by ¥1,273 thousand, ordinary income and income before income taxes each decreased by ¥1,273 thousand, and net income decreased by ¥2,818 thousand.

Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the non-consolidated statement of changes in net assets went down by ¥23,604 thousand after the retrospective application.

The effect on per share information is described in the relevant section.

Accounting treatment for properties for sale

Accounting treatment for properties for sale was changed in the wake of the disclosure of consolidated financial statements under IFRS starting the fiscal year under review.

(1) Cost allocation method for properties for sale

Properties for sale were previously depreciated. However, the accounting treatment for such properties was changed to the method where the properties are not depreciated, starting the fiscal year under review.

Because depreciation factors during the holding period are appropriately reflected in the book values of properties for sale by applying the “Accounting Standard for Measurement of Inventories,” it is more appropriate in periodical accounting of profit and loss not to depreciate these properties. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group.

(2) Accounting method for borrowing costs

Borrowing costs were previously expensed as they were paid. However, the accounting treatment for such costs was changed to the method where part of borrowing costs for certain properties for sale are recorded as assets, starting the fiscal year under review.

As for borrowings, since the Company usually raises funds for each property independently, and the borrowing costs are different in nature from general interest expenses and have a character of important cost element, it is more appropriate in periodical accounting of profit and loss to capitalize these costs. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group.

(3) Accounting method for advertising expenses, etc. on properties for sale

Advertising expenses, etc. on properties for sale were previously expensed at the time of sale of the relevant property. However, the accounting treatment was changed to the method where such expenses are expensed as they incurred, starting the fiscal year under review.

Advertising expenses and revenue have become less and less linked in recent years. Additionally, as a result of strict review of advertising expenses, etc. in terms of nature as assets, it turned out that expensing these expenses as they incur contributes more to appropriate periodical accounting of profit and loss. In view of this, the change was made to unify the accounting treatment for transactions having the same nature conducted under the same environment as a business group.

These changes in accounting treatment for properties for sale described in (1) through (3) above are applied retrospectively. The non-consolidated financial statements for the previous fiscal year show figures after the retrospective application.

Consequently, compared with figures before the retrospective application, real estate for sale increased by ¥308,761 thousand, real estate for sale in process decreased by ¥85,687 thousand and retained earnings increased by ¥211,974 thousand in the non-consolidated balance sheet for the previous fiscal year, while in the non-consolidated statement of operations for the previous fiscal year, cost of sales increased by ¥133,360 thousand, interest expenses decreased by ¥126,729 thousand, ordinary income and income before income taxes each decreased by ¥6,631 thousand, and net income increased by ¥8,894 thousand.

Due to the cumulative effects of the accounting change reflected in the book value of net assets at the beginning of the previous fiscal year, the beginning balance of retained earnings in the non-consolidated statement of changes in net assets went up by ¥203,079 thousand after the retrospective application.

The effect on per share information is described in the relevant section.

Additional information

Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment (Buildings: ¥505,827 thousand, Land: ¥1,630,078 thousand) was transferred to real estate for sale due to the change in business policy.

Leasehold property previously held as real estate for sale (Buildings: ¥996,547 thousand, Land: ¥1,731,791 thousand) was transferred to property, plant and equipment due to the change in business policy.

Notes to non-consolidated balance sheets

*1. Pledged assets and secured debts are as follows:

Pledged assets

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Cash and deposits	485,750	70,005
Real estate for sale	30,396,972	29,629,181
Real estate for sale in process	5,268,481	6,222,981
Buildings	3,770,542	4,192,805
Land	9,213,962	9,315,675
Total	49,135,708	49,430,650

Debts secured by security interests

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Short-term loans payable	384,400	6,000
Current portion of long-term loans payable	7,033,227	6,513,728
Long-term loans payable	22,815,309	26,489,109
Total	30,232,936	33,008,837

2. Contingent liabilities

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

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Tosei Revival Investment Co., Ltd.	1,863,895	1,723,110
Tosei Community Co., Ltd.	–	96,628

*3. Financial covenants

As of November 30, 2012

(1) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: ¥656,875 thousand) includes financial covenants. If the Company violates any two items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- In the consolidated balance sheets and interim consolidated balance sheets, the amount calculated by dividing total net assets by total assets shall be not less than 0.15.
- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

Criterion value = interest-bearing debt ÷ (operating income + depreciation and amortization)

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

(2) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: ¥120,000 thousand) includes financial covenants. If the Company violates any two items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- In the consolidated balance sheets and interim consolidated balance sheets, the amount calculated by dividing total net assets by total assets shall be not less than 0.15.
- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

Criterion value = interest-bearing debt ÷ (operating income + depreciation and amortization)

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

(3) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: ¥685,850 thousand) includes financial covenants. If the Company violates any two items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statements of operations and interim consolidated statements of operations, loss shall not be posted on the operating level and on the ordinary level.
- The total amount of net assets in the consolidated and non-consolidated balance sheets shall be kept at 75% or more of the higher of total net assets in the consolidated and non-consolidated balance sheets as of the end of the fiscal year ended November 30, 2011, or total net assets in the consolidated and non-consolidated balance sheets as of the end of the immediately preceding financial year.
- In the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows as well as the interim consolidated balance sheets, interim consolidated statements of operations and interim consolidated statements of cash flows, the criterion value, which is calculated by the formula below, shall be less than 15.

Criterion value = interest-bearing debt ÷ (operating income + depreciation and amortization)

* However, for operating income, the above formula uses the amount calculated by adding loss on valuation of inventories that are included in cost of sales, which are described in notes to the consolidated statements of operations, to operating income in the consolidated statements of operations.

(4) Of the Company’s loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: ¥322,400 thousand) includes financial covenants. If the Company violates either of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than ¥21,014,900 thousand.
- Without prior written approval from Japan Finance Corporation, the Company shall not provide loans, investments or guarantees of more than ¥6,104,300 thousand to any third party.

(5) Of the Company’s loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: ¥646,800 thousand) includes financial covenants. If the Company violates either of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than ¥24,382,400 thousand.
- Without prior written approval from Japan Finance Corporation, the Company shall not provide loans, investments or guarantees of more than ¥2,057,900 thousand to any third party.

As of November 30, 2013

(1) Of the Company’s loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: ¥1,160,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity shall be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2012, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, profit before tax shall be kept at ¥0 or more.
  - * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, shall be used as profit before tax.
- In the consolidated statement of financial position and the consolidated statement of comprehensive income, the criterion value, which is calculated by the formula below, shall be 15 or less.

  Criterion value = total interest-bearing debt ÷ (operating profit or loss + depreciation and amortization)

  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, shall be used as operating profit or loss in the formula above.

(2) Of the Company’s loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: ¥491,600 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity shall be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2012, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, profit before tax shall be kept at ¥0 or more.
  - * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, shall be used as profit before tax.
- In the consolidated statement of financial position and the consolidated statement of comprehensive income, the criterion value, which is calculated by the formula below, shall be 15 or less.

  Criterion value = total interest-bearing debt ÷ (operating profit or loss + depreciation and amortization)

  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, shall be used as operating profit or loss in the formula above.

(3) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (total balance: ¥988,800 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity shall be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2012, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, profit before tax shall be kept at ¥0 or more.
  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, shall be used as profit before tax.
- In the consolidated statement of financial position and the consolidated statement of comprehensive income, the criterion value, which is calculated by the formula below, shall be 15 or less.

  Criterion value = total interest-bearing debt ÷ (operating profit or loss + depreciation and amortization)
  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, shall be used as operating profit or loss in the formula above.

(4) Of the Company's loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: ¥119,120 thousand) includes financial covenants. If the Company violates either of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than ¥21,014,900 thousand.
- Without prior written approval from Japan Finance Corporation, the Company shall not provide loans, investments or guarantees of more than ¥6,104,300 thousand to any third party.

(5) Of the Company's loans payable, the individual contract of cash loan for consumption with Japan Finance Corporation (total balance: ¥500,400 thousand) includes financial covenants. If the Company violates either of the following covenants, the Company may repay the amount of the relevant loans to the lender in a lump sum.

Covenants

- The amount of net assets in the non-consolidated balance sheets shall be higher than ¥24,382,400 thousand.
- Without prior written approval from Japan Finance Corporation, the Company shall not provide loans, investments or guarantees of more than ¥2,057,900 thousand to any third party.

Notes to non-consolidated statements of operations

*1. The following shows the item that includes transactions with associated companies.

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Interest income	6,397	3,848
Miscellaneous income	7,120	7,919

2. The approximate ratio to selling expenses is 2.6% in the fiscal year ended November 30, 2012 and 3.4% in the fiscal year ended November 30, 2013, while the approximate ratio to general and administrative expenses is 97.4% in the fiscal year ended November 30, 2012 and 96.6% in the fiscal year ended November 30, 2013. Main components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Advertising expenses	26,201	37,224
Directors’ compensations	128,400	133,200
Salaries and allowances	703,096	726,322
Provision for bonuses	89,826	114,405
Retirement benefit expenses	33,145	41,336
Provision for directors’ retirement benefits	20,445	30,539
Legal welfare expenses	113,234	124,345
Commission fee	119,548	152,479
Compensations	180,316	181,526
Taxes and dues	248,085	335,267
Bad debts expenses	0	0
Depreciation	45,453	42,031

*3. Losses on disposal of non-current assets are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Buildings	1,585	–
Tools, furniture and fixtures	–	167

Notes to non-consolidated statements of changes in net assets

None

Lease transactions

1. Finance lease transactions (Lessee)

   Finance lease transactions that do not transfer ownership

   1) Details of lease assets

      Property, plant and equipment

      Multi-purpose machines at the head office ("Tools, furniture and fixtures")

   2) Depreciation method for lease assets

      Depreciation method for lease assets was stated in "3. Depreciation methods for non-current assets under Significant accounting policies.

2. Operating lease transactions (Lessor)

   Future lease payments related to irrevocable operating lease transactions

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Due within 1 year	578,549	273,582
Due over 1 year	1,452,624	473,878
Total	2,031,174	747,460

Securities

As of November 30, 2012

As shares in subsidiaries (carrying amount in the balance sheet: ¥824,119 thousand) have no quoted market prices and, at the same time, it is considered extremely difficult to determine the fair values, they are omitted.

As of November 30, 2013

As shares in subsidiaries (carrying amount in the balance sheet: ¥889,119 thousand) have no quoted market prices and, at the same time, it is considered extremely difficult to determine the fair values, they are omitted.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(¥ thousand)

	As of November 30, 2012	As of November 30, 2013
Deferred tax assets		
Current assets		
Accrued enterprise taxes, currently not deductible	8,066	52,862
Loss carried forward	470,659	–
Provision for bonuses	34,143	48,183
Advertising expenses, etc., currently not deductible	55,337	69,170
Other	19,474	23,067
Effect of changes in accounting policies	73,008	–
Subtotal	660,689	193,284
Non-current assets		
Excess amount over limitation of taxable provision for retirement benefits	53,139	64,599
Excess amount over limitation of taxable provision for directors' retirement benefits	107,899	115,908
Loss on valuation of subsidiaries' stocks	10,869	–
Impairment loss	58,447	57,607
Loss on valuation of investment securities	10,550	–
Other	16,370	25,959
Subtotal	257,277	264,075
Valuation reserves	(192,714)	(189,106)
Total deferred tax assets	725,252	268,253
Deferred tax liabilities		
Current liabilities		
Other	(10,249)	(9,454)
Effect of changes in accounting policies	(132,965)	–
Subtotal	(143,215)	(9,454)
Non-current liabilities		
Other	(5,302)	(206)
Effect of changes in accounting policies	(40,806)	–
Subtotal	(46,109)	(206)
Total deferred tax liabilities	(189,324)	(9,660)
Net deferred tax assets	535,927	258,592

Note: As described in "Change in Accounting Policy," the changes in accounting policies in the fiscal year under review are applied retrospectively, and deferred tax assets as of November 30, 2012 show figures after the retrospective application.

Change in presentation

"Accrued enterprise taxes, currently not deductible" and "Provision for bonuses" included in "Other" of deferred tax assets for the previous fiscal year were reported as separate line items from the fiscal year under review due to the increased materiality.

To reflect this change in presentation, reclassification of accounts has been made for notes to consolidated financial statements for the previous fiscal year.

As a result, ¥61,683 thousand included in "Other" of deferred tax assets for the previous fiscal year were reclassified to "Accrued enterprise taxes, currently not deductible" (¥8,066 thousand), "Provision for bonuses" (¥34,143 thousand) and "Other" (¥19,474 thousand).

2. The account for the difference between the statutory effective tax rate and the effective tax rate after adoption of tax-effect accounting

	As of November 30, 2012	As of November 30, 2013
Statutory effective tax rate	41.0%	This note is omitted since the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is not more than 5% of the statutory effective tax rate.
(Adjustments)		
Expenses not deductible permanently such as entertainment expenses	0.2	
Valuation reserves for deferred tax assets	0.4	
Difference due to tax-rate changes	3.1	
Other	0.2	
Effective tax rates after adoption of tax effect accounting	44.9	

Asset retirement obligations

Asset retirement obligations recorded in the non-consolidated balance sheets

(1) Summary of relevant asset retirement obligations

Some of property, plant and equipment held by the Company contain asbestos or polychlorinated biphenyl (PCB), which must be treated in special ways specified by laws when they are dismantled or removed. The Company recognizes the disposal costs of them as asset retirement obligations. The laws that are grounds for them are as follows:

Disposal costs for asbestos	Ordinance on Prevention of Health Impairment due to Asbestos
Disposal costs for equipment containing PCB	Act on Special Measures Concerning Promotion of Proper Treatment of Polychlorinated Biphenyl Waste (Act on Special Measures concerning PCB)

(2) Method for calculating the amount of relevant asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the period of use as useful life of the property and using a discount rate of 2.26% to 2.40%.

(3) Changes in amounts of relevant asset retirement obligations

(¥ thousand)

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Balance at beginning of fiscal year (Note)	24,710	24,842
Adjustment due to passage of time	131	134
Decrease due to performance of asset retirement obligations	–	(973)
Balance at end of fiscal year	24,842	24,003

Per share information

	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Net assets per share	¥562.54	¥600.94
Net income per share	¥26.23	¥35.54

Notes: 1. Diluted net income per share is not presented since the Company has no potential shares.

2. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, net assets per share and net income per share were calculated on the assumption that the stock had been split at the beginning of the fiscal year ended November 30, 2012.

3. As described in “Change in Accounting Policy,” the changes in accounting policies in the fiscal year under review are applied retrospectively, and financial statements for the previous fiscal year show figures after the retrospective application. Consequently, compared with figures before the retrospective application, net assets per share and net income per share increased by ¥8.80 and ¥1.25, respectively.

4. The basis for calculation of net income per share is as follows:

Item	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013
Net income per share		
Net income (¥ thousand)	1,198,413	1,656,236
Amount not attributable to ordinary shareholders (¥ thousand)	–	–
Net income related to ordinary shares (¥ thousand)	1,198,413	1,656,236
Average number of shares of ordinary shares outstanding (Shares)	45,684,000	46,602,904

5. The basis for calculation of net assets per share is as follows:

Item	As of November 30, 2012	As of November 30, 2013
Total net assets (¥ thousand)	25,699,023	29,015,893
Deduction from total net assets (¥ thousand)	–	–
Net assets related to ordinary shares at fiscal year-end (¥ thousand)	25,699,023	29,015,893
Number of shares of ordinary shares outstanding at fiscal year-end used for calculation of net assets per share (Shares)	45,684,000	48,284,000

Important subsequent events

None

d. Supplementary statements

[Detailed schedule of securities]

[Shares]

Issue			Number of shares (Shares)	Book value on the non-consolidated balance sheet (¥ thousand)
Investment securities	Available-for-sale securities	Jyutaku Sangyo Shinyou Hoshou Kabushiki Kaisha	120	1,200
Total			120	1,200

[Other]

Type and issue			Number of investment units (Units)	Book value on the non-consolidated balance sheet (¥ thousand)
Investment securities	Available-for-sale securities	(Investment trust beneficiary certificate)		
		Nippon Building Fund Inc.	1	1,204
		Jei Hudosan Shoken Toshi Houjin	1	38
		(Investments in silent partnership)		
		Godo Kaisha Himawari	–	20,952
		Kamiyacho Investment Godo Kaisha	–	50,000
		(Preferred securities)		
		Japan Opportunity 1 Tokutei Mokuteki Kaisha	2,333	116,650
		PLC Specified Purpose Company	6,000	600,000
		Clover Shiba Koen Tokutei Mokuteki Kaisha	23,000	0
		Gin Roku Tokutei Mokuteki Kaisha	35,615	0
Total			66,950	788,845

[Detailed schedule of property, plant and equipment and others]

(¥ thousand)

Type of assets	Balance as of Dec. 1, 2012	Increase in the fiscal year ended Nov. 30, 2013	Decrease in the fiscal year ended Nov. 30, 2013	Balance as of Nov. 30, 2013	Accumulated depreciation or amortization as of Nov. 30, 2013	Depreciation during the fiscal year ended Nov. 30, 2013	Carrying value as of Nov. 30, 2013
Property, plant and equipment							
Buildings	4,998,258	1,021,478	619,696	5,400,040	1,018,565	116,511	4,381,474
Structures	22,137	–	–	22,137	15,256	905	6,881
Machinery and equipment	880	–	–	880	759	54	120
Vehicles	12,581	–	–	12,581	6,052	3,259	6,528
Tools, furniture and fixtures	101,426	7,759	2,753	106,432	83,570	6,632	22,861
Land	9,552,984	2,110,139	1,630,078	10,033,045	–	–	10,033,045
Lease assets	6,748	–	–	6,748	2,102	1,687	4,646
Total property, plant and equipment	14,695,017	3,139,377	2,252,528	15,581,866	1,126,306	129,050	14,455,559
Intangible assets							
Software	99,686	8,130	–	107,816	79,757	16,572	28,059
Telephone subscription right	1,889	–	–	1,889	–	–	1,889
Total intangible assets	101,575	8,130	–	109,705	79,757	16,572	29,948

Notes: 1. In the increase in the fiscal year ended Nov. 30, 2013, principal events are as follows:

Buildings: Transfer from real estate for sale (2 properties) ¥996,547 thousand

Land: Transfer from real estate for sale (2 properties) ¥1,731,791 thousand

2. In the decrease in the fiscal year ended Nov. 30, 2013, principal events are as follows:

Buildings: Transfer to real estate for sale (1 property) ¥619,696 thousand

Land: Transfer to real estate for sale (1 property) ¥1,630,078 thousand

[Detailed schedule of allowances]

(¥ thousand)

Category	Balance as of Dec. 1, 2012	Increase in the fiscal year ended Nov. 30, 2013	Decrease in the fiscal year ended Nov. 30, 2013 (specific purposes)	Decrease in the fiscal year ended Nov. 30, 2013 (other)	Balance as of Nov. 30, 2013
Allowance for doubtful accounts	9,074	2,093	1,005	4,459	5,703
Provision for bonuses	89,826	114,405	89,826	–	114,405
Provision for directors' retirement benefits	302,747	30,539	8,067	–	325,219
Allowance for investment loss	28,596	–	–	28,596	–

Notes: 1. The amount shown in the decrease (other) in allowance for doubtful accounts represents the reversal of the allowance after revaluation.

2. The amount shown in the decrease (other) in allowance for investment loss represents the reversal of the allowance due to recovery of the financial status of subsidiaries.

(2) Principal assets and liabilities

1) Current assets

i. Cash and deposits

(¥ thousand)

Category	Amount
Cash	2,198
Deposits	
Current deposits	299,815
Ordinary deposits	12,542,083
Time deposits	70,005
Subtotal	12,911,903
Total	12,914,102

ii. Accounts receivable-trade

Breakdown by customer

(¥ thousand)

Customers	Amount
Shogakukan-Shueisha Productions Co., Ltd.	8,508
Tokyo Gas Energy Co., Ltd.	8,399
Aoyama K.K.	5,529
Saizeriya Co., Ltd.	5,294
Other	47,942
Total	75,673

Accrual, collection and retention of accounts receivable-trade

Balance as of Dec. 1, 2012 (¥ thousand) (A)	Accrual in the fiscal year ended Nov. 30, 2013 (¥ thousand) (B)	Collection in the fiscal year ended Nov. 30, 2013 (¥ thousand) (C)	Balance as of Nov. 30, 2013 (¥ thousand) (D)	Collection rate (%) $\frac{(C)}{(A) + (B)} \times 100$	Retention period (Day) $\frac{\frac{(A) + (D)}{2}}{\frac{(B)}{365}}$
176,295	1,395,917	1,496,539	75,673	95.2	32.9

iii. Real estate for sale

Regions	Land area (m^2)	Amount (¥ thousand)
Yokohama-shi, Kanagawa	26,548.38	4,946,307
Shinjuku-ku, Tokyo	6,542.75	3,343,708
Chuo-ku, Tokyo	1,202.87	2,441,821
Setagaya-ku, Tokyo	6,455.90	2,390,612
Other	287,683.77	17,759,438
Total	328,433.67	30,881,888

iv. Real estate for sale in process

Regions	Land area (m^2)	Amount (¥ thousand)
Yokohama-shi, Kanagawa	8,946.12	1,439,026
Chiyoda-ku, Tokyo	330.63	738,678
Kashiwa-shi, Chiba	12,929.26	688,282
Chuo-ku, Tokyo	300.11	685,069
Other	9,518.73	2,671,926
Total	32,024.85	6,222,981

v. Supplies

(¥ thousand)

Item	Amount
Postage stamps	133
Revenue stamps	580
Envelopes	264
Other	1,788
Total	2,765

2) Current liabilities

i. Notes payable-trade

Breakdown by customer

(¥ thousand)

Customers	Amount
Daiwa Odakyu Construction Co., Ltd.	299,715
Total	299,715

Breakdown by maturity date

(¥ thousand)

Maturity date	Amount
January 2014	299,715
Total	299,715

ii. Accounts payable-trade

(¥ thousand)

Customer	Amount
NIHON KEIZAI ADVERTISING CO., LTD.	48,689
TOBU CONSTRUCTION Co., Ltd.	28,038
M-1 K.K.	17,366
Tosei Community Co., Ltd.	11,162
Other	107,716
Total	212,973

iii. Current portion of long-term loans payable

(¥ thousand)

Customers	Amount
The Yachiyo Bank, Limited	836,800
Sumitomo Mitsui Banking Corporation	672,400
Aozora Bank, Ltd.	671,000
The Hokuriku Bank, Ltd.	500,000
Other	3,879,168
Total	6,559,368

iv. Long-term loans payable

(¥ thousand)

Customers	Amount
The Shoko Chukin Bank, Ltd.	3,682,750
The Bank of Tokyo-Mitsubishi UFJ, Ltd .	2,479,600
The Bank of Yokohama, Ltd.	1,898,650
HIGASHI-NIPPON BANK, Ltd.	1,748,875
Other	16,679,234
Total	26,489,109

(3) Others

None

VI. Outline of filing company's business concerning shares

Business year	From December 1 to November 30
Ordinary General Meeting of Shareholders	February
Record date	November 30
Record dates for dividends from surplus	May 31 November 30
Share unit number	100 shares
Purchase of shares less than one unit:	
Office for handling business	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation
Shareholder registry administrator	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	–
Handling charge for purchase	No charge
Method of public notice	Electronic public notice will be made. URL for public notice: http://www.toseicorp.co.jp/ir/publicly/index.html However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun.
Special benefits for shareholders	None

Notes: 1. Pursuant to the provisions of the Company's Articles of Incorporation, the Company's shareholders may not exercise any right, in relation to their holding shares less than one unit, other than the rights set forth in each of the following items:

(1) Rights set forth in each item of Article 189, paragraph 2 of the Companies Act

(2) A right to claim that is set forth in the provisions of Article 166, paragraph 1 of the Companies Act

(3) A right to receive allocation of shares and stock acquisition rights for subscription according to the number of shares held by shareholders

2. Due to the enforcement of the Act for Partial Revision of the Act on Transfer of Bonds, etc. for Achieving Rationalization of Settlements for Transactions of Shares, etc. and Other Acts (June 9, 2004, Act No. 88), treatment of shares including purchase and sale of shares less than one unit shall be conducted via securities brokers and other account management institutions in principle. However, shares recorded in special accounts are directly dealt with by Mizuho Trust & Banking Co., Ltd. (1-2-1, Yaesu, Chuo-ku, Tokyo), which is the account management institution of special accounts.

VII. Reference information on filing company

1. Information on filing company's parent company

Tosei does not have a parent company as described by the provisions of Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, Tosei has filed the following documents.

(1) Annual Securities Report and Appendices, and Written Confirmation

63rd term; from December 1, 2011 to November 30, 2012, filed to Director-General of Kanto Local Finance Bureau on February 28, 2013.

(2) Internal Control Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on February 28, 2013.

(3) Quarterly Securities Reports and Written Confirmations

First quarter of the 64th term; from December 1, 2012 to February 28, 2013, filed to Director-General of Kanto Local Finance Bureau on April 10, 2013.
Second quarter of the 64th term; from March 1, 2013 to May 31, 2013, filed to Director-General of Kanto Local Finance Bureau on July 10, 2013.
Third quarter of the 64th term; from June 1, 2013 to August 31, 2013, filed to Director-General of Kanto Local Finance Bureau on October 10, 2013.

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on July 9, 2013.

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act, Article 19, paragraph 1 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. and Article 19, paragraph 2, item 1 of the same Ordinance.

Filed to Director-General of Kanto Local Finance Bureau on February 28, 2014.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Amendments to Extraordinary Report

Filed to Director-General of Kanto Local Finance Bureau on July 22, 2013.

Amendments to the Extraordinary Report filed on July 9, 2013.

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

No items to report

Independent Auditors' Audit Report and Internal Control Audit Report

February 20, 2014

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Kazuma Shinohara (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Takashi Aikawa (Seal)

[Audit of Financial Statements]
Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Accounting Section, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements of Tosei Corporation and consolidated subsidiaries for the fiscal year from December 1, 2012 to November 30, 2013.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of 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 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 present fairly, in all material respects, the financial position of Tosei Corporation and consolidated subsidiaries as of November 30, 2013, and the consolidated results of their operations and their cash flows for the year then ended in conformity with IFRS.

[Audit of Internal Control over Financial Reporting]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Tosei Corporation as of November 30, 2013.

Management's Responsibility for the Management's Report
Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.
Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibility
Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.
An internal control audit involves performing procedures to obtain audit evidence about the result of management's assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the materiality of effect on the reliability of financial reporting. An internal control audit also includes evaluating the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.
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 Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2013 of Tosei Corporation is effective, present fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting 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.

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*1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in the custody of the Company as attachments to the financial statements.

* The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor's report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text.

Independent Auditors' Audit Report

February 20, 2014

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Kazuma Shinohara (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Takashi Aikawa (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Accounting Section, namely, the balance sheets and the related statements of operations and changes in net assets, the significant accounting policies, the other related notes and supplementary schedules of Tosei Corporation for the 64th fiscal year from December 1, 2012 to November 30, 2013.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements 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 on these 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 financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the 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 non-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 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 financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation as of November 30, 2013, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Matter for Emphasis

1. As described in “Change in Accounting Policy,” the Company changed the accounting treatment for rent income starting the fiscal year under review.
2. As described in “Change in Accounting Policy,” the Company changed the accounting treatment for borrowing costs starting the fiscal year under review.
3. As described in “Change in Accounting Policy,” the Company changed the calculation method for retirement benefit obligations to the principle method starting the fiscal year under review.
4. As described in “Change in Accounting Policy,” the Company changed the accounting treatment for properties for sale starting the fiscal year under review.

These matters have no impact on our audit opinion.

Conflicts of Interest

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

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*1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in the custody of the Company as attachments to the financial statements.

2. The section of financial statements of this report does not contain their XBRL data.

* The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor’s report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text.