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Consolidated Financial Results for the Fiscal Year Ended November 30, 2019 <IFRS>

January 9, 2020

Company name: Tosei Corporation
Stock listing: TSE / SGX
Securities code number: 8923/S2D
URL: https://www.toseicorp.co.jp/english/
Representative: Seiichiro Yamaguchi, President and CEO
Contact: Noboru Hirano, Director and CFO
Phone: +81-3-3435-2865
Ordinary general shareholders' meeting: February 26, 2020 (scheduled)
Commencement of dividend payments: February 27, 2020 (scheduled)
Submission of Securities Report (Yuka Shoken Hokokusho): February 27, 2020 (scheduled)
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: All amounts are rounded down to the nearest million yen.

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2019 (December 1, 2018 – November 30, 2019)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Nov. 30, 2019	60,727	(1.3)	12,690	16.7	12,090	18.9	8,447	23.3
Year ended Nov. 30, 2018	61,543	6.6	10,875	10.6	10,171	12.4	6,852	11.3

	Profit attributable to owners of the parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Year ended Nov. 30, 2019	8,447	23.3	8,684	26.7	176.40	175.83
Year ended Nov. 30, 2018	6,852	11.3	6,856	11.2	141.36	141.12

	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	(%)	(%)	(%)
Year ended Nov. 30, 2019	15.3	8.0	20.9
Year ended Nov. 30, 2018	14.0	7.8	17.7

(Reference) Equity in earnings of affiliates Year ended Nov. 30, 2019: ¥－million Year ended Nov.30, 2018: ¥－million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	(¥ million)	(¥ million)	(¥ million)	(%)	(¥)
As of Nov. 30, 2019	161,894	58,306	58,306	36.0	1,225.27
As of Nov. 30, 2018	138,768	52,021	52,021	37.5	1,071.63

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year ended Nov. 30, 2019	(3,799)	(2,133)	11,412	31,998
Year ended Nov. 30, 2018	7,615	(10,786)	5,941	26,520

2. Dividends

	Annual dividends per share					Total dividends per share (Total)	Payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	(%)	(%)
Year ended Nov. 30, 2018	―	0.00	―	30.00	30.00	1,456	21.2	3.0
Year ended Nov. 30, 2019	―	0.00	―	42.00	42.00	1,998	23.8	3.7
Year ending Nov. 30, 2020(Forecast)	―	0.00	―	47.00	47.00		25.4	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2020 (December 1, 2019 – November 30, 2020)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending Nov. 30, 2020	80,354	32.3	13,737	8.2	13,046	7.9	8,808	4.3	185.09

*** Notes**

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
Newly added: ― Excluded: ―

(2) Changes in accounting policies and changes in accounting estimates
(a) Changes in accounting policies required by IFRS: Yes
(b) Changes in accounting policies other than (a) above: No
(c) Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

(a) Number of issued shares at the end of the year (including treasury shares)

As of Nov. 30, 2019	48,595,300 shares
As of Nov. 30, 2018	48,544,800 shares

(b) Number of treasury shares at the end of the year

As of Nov. 30, 2019	1,008,805 shares
As of Nov. 30, 2018	105 shares

(c) Average number of outstanding shares during the year

Year ended Nov. 30, 2019	47,884,495 shares
Year ended Nov. 30, 2018	48,472,355 shares

(Reference) Summary of Non-Consolidated Results

1. Non-consolidated Financial Results for the Fiscal Year Ended November 30, 2019 (December 1, 2018 – November 30, 2019)

(1) Non-consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Nov. 30, 2019	48,861	1.7	9,638	52.3	9,770	44.3	7,273	35.4
Year ended Nov. 30, 2018	48,061	5.6	6,330	(1.6)	6,770	(6.2)	5,054	(7.3)

	Net income per share	Net income per share (diluted)
	(¥)	(¥)
Year ended Nov. 30, 2019	151.89	151.40
Year ended Nov. 30, 2018	104.27	104.09

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	(%)	(¥)
As of Nov. 30, 2019	149,812	52,076	34.7	1,093.35
As of Nov. 30, 2018	127,844	46,965	36.7	966.65

(Reference) Equity As of November 30, 2019: ¥52,028million As of November 30, 2018: ¥46,925million

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2020 (December 1, 2019 – November 30, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending Nov. 30, 2020	67,556	38.3	11,661	19.4	8,361	15.0	175.71

* These Financial Results are not subject to audit procedures by a certified public accountant or an audit corporation.

* Proper use of earnings forecasts and other notes

(1) The forward-looking statements, including outlook of future performance, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ substantially from these statements due to various factors. For the assumptions on which the earnings forecasts are based and cautions concerning the use thereof, please refer to "1.Operating results and Financial Position (5) Future outlook" on page 5 of the attached materials.

(2) A financial results meeting will be held on January 9, 2020 for institutional investors and analysts. The presentation materials distributed at the meeting will be available on our website immediately after the disclosure of account settlement.

(3) "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Statement No.26, February 16, 2018) etc. have been adopt from the beginning of the fiscal year ended November 30, 2019. Results from the previous year of "(Reference) Summary of Non-Consolidated Results" reflect changes in accounting policies that have been retroactively applied.

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1. Operating Results and Financial Position

(1) Operating Results

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

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

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

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

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

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

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

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

Performance by business segment is shown below.

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

Revitalization Business

During the fiscal year under review, the segment sold 53 properties it had renovated, including Seiseki C-kan Building (Tama-shi,Tokyo), Ryogoku Tosei Building I,II (Sumida-ku, Tokyo), T's garden Ojima (Koto-ku, Tokyo), Century Urawa Apartment (Saitama-shi, Saitama) and Grosvenor Square Building (Yokohama-shi, Kanagawa). In addition, the segment sold 11 units in the Restyling Business, including Hilltop Yokohama Negishi. During the fiscal year under review, it also acquired a total of 39 income-generating office buildings and apartments and four land lots for renovation and sales purposes.

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

Development Business

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

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

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

Rental Business

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

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

Fund and Consulting Business

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

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

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

Property Management Business

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

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

Hotel Business

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

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

(2) Analysis and Discussion of Operating Results

During the fiscal year under review, despite consolidated revenue having decreased by 1.3% year on year to ¥60,727 million, earnings growth was otherwise substantial with operating profit up by 16.7% year on year to ¥12,690 million, profit before tax up by 18.9% year on year to ¥12,090 million, and profit for the year up by 23.3% to ¥8,447 million. The gains are attributable to factors such that: the Revitalization Business made progress in selling off high-margin properties; the Development Business completed and sold off large, high-margin condominiums; and, the Fund and Consulting Business increased asset management fees reflecting growth in assets under management, and boosted revenues generated by business fees for property acquisitions and dispositions of funds under management. In terms of earnings, the Company was one year ahead of schedule in achieving its ¥12 billion target for consolidated profit before tax in the final fiscal year of its "Seamless Growth 2020" medium-term management plan currently in progress.

Whereas the real estate market remains strong, the greatest challenge now facing the Company is that pinpointing investment opportunities amid a market where real estate prices persist at the higher price range. The Company aims to achieve sustainable growth by extending its business opportunities while reducing risk, which will involve managing a portfolio consisting of six diverse business segments and flexibly transforming its mix of core asset types in response to changes in market demand.

(3) Financial Positions

As of November 30, 2019, total assets were ¥161,894 million, an increase of ¥23,125 million compared with November 30, 2018, while total liabilities were ¥103,587 million, an increase of ¥16,840 million. This is mainly due to, increase in inventories (up ¥11,115 million year on year) because acquisition of properties in the revitalization and development businesses, which are the core operations of the Company, exceeded the number of properties the Company sold and increase in Investment properties (up ¥4,115 million year on year). Increase in liabilities were primarily due to increase in borrowings (up ¥14,818 million year on year).Total equity increased by ¥6,284 million to ¥58,306 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

(4) Cash Flows

Cash and cash equivalents (hereinafter "cash") as of November 30, 2019 totaled ¥31,998 million, an increase of ¥5,478 million compared with November 30, 2018.

The cash flows for the fiscal year under review and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥3,799 million (¥7,615 million provided by the same period of the previous fiscal year). This is mainly attributed to the profit for the period before tax of ¥12,090 million, an increase in inventories of ¥15,378 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥3,876 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥2,133 million (down 80.2% year on year). This is mainly due to purchase of other financial assets of 1,811million and purchase of investment properties of ¥344 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥11,412 million (up 92.1% year on year). This mainly reflects ¥41,630 million in proceeds from non-current borrowings, despite ¥28,572 million in the repayments of non-current borrowings, ¥1,455 million in cash dividends paid and ¥999 million in the purchase of treasury shares.

(Reference) Trends in cash flow indicators for the Tosei Group

	Year ended Nov. 30, 2017	Year ended Nov. 30, 2018	Year ended Nov. 30, 2019
Ratio of equity attributable to owners of the parent to total assets (%)	37.7	37.5	36.0
Market value ratio of equity attributable to owners of the parent to total assets (%)	43.1	36.0	40.0
Interest-bearing debt to cash flows ratio (years)	9.5	9.9	―
Interest coverage ratio (times)	8.0	7.9	―

Ratio of equity attributable to owners of the parent to total assets: Equity attributable to owners of the parent /Total assets
Market value ratio of equity attributable to owners of the parent to total assets: Market capitalization/Total assets
Interest-bearing debt to cash flows 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 figure for cash flows employs cash flows from operating activities.
(4) Interest-bearing debt includes all liabilities recorded on 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 year ended November 30, 2019 because cash flows from operating activities on the consolidated statements of cash flows was negative.

(5) Future Outlook

In the Tokyo metropolitan area real estate investment market, which is the Company's main target market, a continuing favorable financing environment has been spurring active real estate transactions by the likes of J-REITs, overseas investors, and ordinary enterprises. Although property prices remain high, the real estate investment market is likely to remain vibrant going forward amid a scenario where low interest rates worldwide have heightened the appeal of income-generating properties in the Tokyo metropolitan area, such that include logistics facilities which have been encountering greater demand amid growth in e-commerce, as well as offices and condominiums which have been underpinned by firm leasing demand.

On the other hand, the market for wood-frame apartments and small-scale urban investment housing has entered an adjustment phase amid a situation where sales of certain asset types are being affected by more stringent financing requirements applied to income-generating properties for individual investors. Meanwhile, in the hotel market there is cause for concern regarding excessive supply amid a situation where there has been a spate of hotel openings in respective geographic locations fueled by the likelihood of growing demand from inbound travel. As such, the Company needs to remain alert regarding signs of a deteriorating market even in the Tokyo metropolitan area where guest room occupancy rates remain at high levels. The overall situation suggests that the Company needs to develop investment strategies and a product portfolio geared to investment market trends.

With the fiscal year ending November 30, 2020, being the final year of the medium-term management plan "Seamless Growth 2020," which extends from December 2017 to November 2020, the Company will continue its efforts toward achieving further growth of existing businesses and establishing new income-generating businesses.

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

In the Development Business, the Company will generate development opportunities drawing on a strategy undertaken amid a business environment where land is in short supply. This will entail undertaking highly

challenging projects involving intricate relationships of rights, as well as mediation regarding the surrender of properties and alternative facilities, upon looking into options for developing various asset types such that include not only its conventional residences and offices, but also new product categories consisting of additional logistics facilities and hotels. The Company will also streamline sales and increase profit margins of detached houses and condominiums sold to end-users.

In the Stock and Fee Business, the Company's stable source of income, the Company will enhance its acquisition strategy in addressing challenges encountered by the Rental Business with respect to expanding Company-held fixed assets. In the Fund and Consulting Business and the Property Management Business, the Company will seek to expand all segments by accumulating properties under management as well as heightening and streamlining quality control. In fiscal 2020, Tosei Hotel & Seminar Makuhari which is undergoing substantial renovations, as well as TOSEI HOTEL COCONE Asakusa-Kuramae and TOSEI HOTEL COCONE Ueno-Okachimachi which are being developed by the Company, are scheduled to commence their operation. The Company will endeavor to spur growth of its Hotel Business and improve the Tosei brand.

As a result of the above measures, the Company expects both revenue and profit to increase in the business forecast for the fiscal year ending November 30, 2020, with consolidated revenue of ¥80,354 million (up 32.3% year on year), operating profit of ¥13,737 million (up 8.2%), profit before tax of ¥13,046 million (up 7.9%), and profit for the year of ¥8,808 million (up 4.3%).

(6) Fundamental Earnings Distribution Policy and Dividends for 2019 and 2020

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 advantage of highly profitable business opportunities.

For the fiscal year ended November 30, 2019 and the fiscal year ending November 30, 2020, Tosei plans to pay cash dividends per share of ¥42 and ¥47 respectively.

2. Basic Concept Regarding Selection of Accounting Standards

Tosei Group has adopted IFRS.

The Group expects that adoption of IFRS will bring numerous benefits in facilitating its overseas expansion going forward, such that include improving its creditworthiness abroad enhancing flexibility in fund raising by global offering, etc., and improved convenience of financial information for overseas investors and others.

Meanwhile, another benefit is that the adoption of IFRS enables Tosei Corporation to submit IFRS-based financial statements, as is, for matters involving both the Tokyo Stock Exchange and the Singapore Exchange where the Company maintains multiple listings.

3. Consolidated Financial Statements and notes

(1) Consolidated Statement of Financial Position

(¥ thousand)

	As of Nov. 30, 2018	As of Nov. 30, 2019
Assets		
Current assets		
Cash and cash equivalents	26,520,569	31,998,929
Trade and other receivables	3,090,237	3,747,782
Inventories	62,457,864	73,573,663
Other current assets	30,495	13,247
Total current assets	92,099,167	109,333,622
Non-current assets		
Property, plant and equipment	8,785,869	8,671,827
Investment properties	33,752,847	37,868,133
Intangible assets	87,966	87,760
Trade and other receivables	865,235	1,102,277
Other financial assets	2,244,831	4,252,691
Deferred tax assets	903,707	573,729
Other non-current assets	28,914	4,014
Total non-current assets	46,669,371	52,560,434
Total assets	138,768,538	161,894,056
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,075,579	6,448,300
Borrowings	7,308,494	16,291,247
Current income tax liabilities	2,445,597	1,658,894
Provisions	593,669	655,782
Total current liabilities	14,423,341	25,054,225
Non-current liabilities		
Trade and other payables	3,708,969	3,761,836
Borrowings	67,716,752	73,552,021
Retirement benefits obligations	493,554	521,213
Provisions	6,817	6,971
Deffered Tax Liabilties	397,320	691,288
Total non-current liabilities	72,323,414	78,533,331
Total Liabilities	86,746,756	103,587,557
Equity		
Share capital	6,554,139	6,579,844
Capital reserves	6,544,924	6,575,240
Retained earnings	38,843,309	45,839,423
Treasury shares	(128)	(1,000,037)
Other components of equity	79,537	312,028
Total equity attributable to owners of parent	52,021,782	58,306,499
Total equity	52,021,782	58,306,499
Total liabilities and equity	138,768,538	161,894,056

(2) Consolidated Statement of Comprehensive Income

(¥ thousand)

	Year ended Nov. 30, 2018 (Dec. 1, 2017 – Nov. 30, 2018)	Year ended Nov. 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)
Revenue	61,543,319	60,727,704
Cost of revenue	42,820,221	39,886,774
Gross profit	18,723,097	20,840,930
Selling, general and administrative expenses	7,860,072	8,203,399
Other income	147,032	64,335
Other expenses	134,249	10,907
Operating profit	10,875,807	12,690,958
Finance income	85,743	154,466
Finance costs	790,534	755,329
Profit before tax	10,171,017	12,090,095
Income tax expense	3,318,779	3,643,062
Profit for the year	6,852,237	8,447,032
Other comprehensive income		
Other comprehensive income Items that will not be reclassified to profit or loss		
Net change in financial assets measured at fair values through other comprehensive income	—	242,805
Remeasurements of defined benefit pension plans	(11,038)	5,423
Subtotal of Other comprehensive income Items that will not be reclassified to profit or loss	(11,038)	248,228
Other comprehensive income Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(881)	(7,352)
Net change in fair values of available-for-sale financial assets	13,480	—
Net change in fair values of cash flow hedges	2,913	(2,961)
Subtotal of other comprehensive income Items that may be reclassified to profit or loss	15,513	(10,313)
Other comprehensive income for the year, net after tax	4,474	237,914
Total comprehensive income for the year	6,856,712	8,684,946
Profit attributable to:		
Owners of the parent	6,852,237	8,447,032
Total comprehensive income attributable to:		
Owners of the parent	6,856,712	8,684,946
Earnings per share attributable to owners of the parent		
Basic earnings per share (¥)	141.36	176.40
Diluted earnings per share (¥)	141.12	175.83

(3) Consolidated Statement of Changes in Equity

Year ended November 30, 2018 (Dec. 1, 2017 – Nov. 30, 2018)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at Dec. 1, 2017	6,421,392	6,464,240	33,209,210	—	64,024	46,158,867	46,158,867
Profit for the year			6,852,237			6,852,237	6,852,237
Other comprehensive income					4,474	4,474	4,474
Total comprehensive income for the year	—	—	6,852,237	—	4,474	6,856,712	6,856,712
Amount of transactions with owners							
Issuance of new shares	132,747	75,748				208,495	208,495
Purchase of treasury shares				(128)		(128)	(128)
Dividends from surplus			(1,207,100)			(1,207,100)	(1,207,100)
Share-based payment		4,935				4,935	4,935
Transfer from other components of equity to retained earnings			(11,038)		11,038	—	—
Balance at Nov. 30, 2018	6,554,139	6,544,924	38,843,309	(128)	79,537	52,021,782	52,021,782

Year ended November 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)

(¥ thousand)

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

(4) Consolidated Statement of Cash Flows

(¥ thousand)

	Year ended Nov. 30, 2018 (Dec. 1, 2017 – Nov. 30, 2018)	Year ended Nov. 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)
Cash flows from operating activities		
Profit before tax	10,171,017	12,090,095
Depreciation expense	621,108	873,834
Increase (decrease) in provisions and retirement benefits obligations	112,683	106,807
Interest and dividends income	(85,743)	(154,466)
Interest expenses	790,534	755,329
Loss on retirement of property, plant and equipment	791	—
Decrease (increase) in trade and other receivables	(827,489)	(765,621)
Decrease (increase) in inventories	(932,707)	(15,378,771)
Increase (decrease) in trade and other payables	(14,822)	2,445,402
Other, net	(79,792)	2,079
Subtotal	9,755,580	(25,311)
Interest and dividends income received	85,743	102,094
Income taxes paid	(2,226,001)	(3,876,675)
Net cash from (used in) operating activities	7,615,322	(3,799,892)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	20,000
Purchase of property, plant and equipment	(72,169)	(62,602)
Purchase of investment properties	(8,714,445)	(344,209)
Purchase of intangible assets	(33,450)	(29,351)
Payments of loans receivable	—	(126,730)
Collection of loans receivable	77	17,034
Purchase of other financial assets	(473,717)	(1,811,147)
Collection of other financial assets	1,907	26,426
Proceeds from sales of other financial assets	3,458	151,509
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,502,160)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	536
Other, net	3,715	25,413
Net cash from (used in) investing activities	(10,786,784)	(2,133,119)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	117,500	1,738,500
Proceeds from non-current borrowings	41,148,950	41,630,045
Repayments of non-current borrowings	(33,360,923)	(28,572,289)
Proceeds from issuance of new shares	208,086	40,060
Cash dividends paid	(1,206,976)	(1,455,240)
Interest expenses paid	(960,968)	(963,688)
Purchase of treasury shares	(128)	(999,909)
Other, net	(3,654)	(5,349)
Net cash from (used in) financing activities	5,941,884	11,412,129
Net increase (decrease) in cash and cash equivalents	2,770,422	5,479,116
Cash and cash equivalents at beginning of year	23,750,239	26,520,569
Effect of exchange rate change on cash and cash equivalents	(92)	(757)
Cash and cash equivalents at end of year	26,520,569	31,998,929

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

No item to report.

(Changes in accounting policies)

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

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

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

(1) IFRS 9 Financial Instruments

1) Classification and measurement of financial instruments

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

Equity instruments previously classified as “Available-for-sale financial assets” are now classified into “Financial assets measured at fair value through other comprehensive income” and “Financial assets measured at fair value through profit or loss.” “Available-for-sale financial assets” have been reclassified to “Other financial assets” in the Condensed Consolidated Statement of Financial Position. In accordance with transition provisions, the Group has not applied IFRS 9 retrospectively to consolidated financial statements for the previous fiscal year.

2) Impairment loss of financial assets

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

3) Adjustment from IAS 39 to classification according to IFRS 9

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

(¥ thousand)

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

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

(¥ thousand)

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

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

(¥ thousand)

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

(2) IFRS 15 Revenue from Contracts with Customers

With the application of IFRS 15, revenue from contracts with customers is recognized based on the five-step approach shown below. In applying IFRS 15, the Group applies the transition provisions and recognizes the cumulative effect of the standard at the date of initial application. For this reason, the Group has not applied IFRS 15 retrospectively to consolidated financial statements for each past reporting period.

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

(Segment information)

(1) Summary of reportable segments

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

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

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

Segment information for the fiscal year ended November 30, 2018 has been prepared in accordance with the new reportable segment classifications.

(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 reported 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:

Year ended November 30, 2018
(Dec.1, 2017 – Nov 30, 2018)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	34,793,585	13,261,604	5,934,901	2,982,251	4,015,450	555,525	—	61,543,319
Intersegment revenue	—	—	44,221	56,356	1,216,701	2,240	(1,319,519)	—
Total	34,793,585	13,261,604	5,979,123	3,038,607	5,232,152	557,765	(1,319,519)	61,543,319
Segment profit	6,770,700	1,487,253	2,453,492	1,616,478	453,725	36,194	(1,942,038)	10,875,807
Finance income/costs, net								(704,790)
Profit before tax								10,171,017

Year ended November 30, 2019
(Dec.1, 2018 – Nov 30, 2019)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	31,012,030	14,346,337	5,944,112	3,752,874	4,586,096	1,086,252	—	60,727,704
Intersegment revenue	—	—	49,689	20,327	1,302,183	3,160	(1,375,361)	—
Total	31,012,030	14,346,337	5,993,801	3,773,202	5,888,280	1,089,412	(1,375,361)	60,727,704
Segment profit	7,754,590	1,528,591	2,367,533	2,365,114	504,043	99,620	(1,928,535)	12,690,958
Finance income/costs, net								(600,863)
Profit before tax								12,090,095

(Earnings per share)

	Year ended November 30, 2018 (Dec. 1, 2017 – Nov. 30, 2018)	Year ended November 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)
Profit attributable to owners of the parent (¥ thousand)	6,852,237	8,447,032
Net income used to figure diluted net income per share (¥ thousand)	6,852,237	8,447,032
Weighted average number of outstanding ordinary shares (shares)	48,472,355	47,884,495
The number of increased ordinary shares used to figure diluted earnings per share (shares)	85,411	156,333
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	48,557,766	48,040,828
Basic earnings per share (¥)	141.36	176.40
Diluted net income per share (¥)	141.12	175.83

(Significant subsequent events)

No item to report.