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 67th term)

from December 1, 2015
to November 30, 2016

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 27, 2017 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	IFRS				
	63rd term	64th term	65th term	66th term	67th term
Accounting period	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013	Fiscal year ended Nov. 30, 2014	Fiscal year ended Nov. 30, 2015	Fiscal year ended Nov. 30, 2016
Revenue (¥ thousand)	24,195,800	35,070,345	49,981,563	43,006,964	49,818,113
Profit before tax (¥ thousand)	2,218,631	3,222,127	4,663,706	6,040,311	8,450,048
Profit attributable to owners of parent (¥ thousand)	1,465,284	2,006,471	2,874,226	4,135,816	5,547,469
Comprehensive income attributable to owners of parent (¥ thousand)	1,464,358	2,011,780	3,021,682	4,081,386	5,509,307
Total equity (¥ thousand)	26,543,892	30,092,426	32,727,836	36,228,378	41,010,083
Total assets (¥ thousand)	65,363,083	71,283,073	80,858,080	93,196,052	121,276,292
Equity attributable to owners of parent per share (¥)	581.03	623.24	677.82	750.32	849.35
Basic earnings per share (¥)	32.07	43.05	59.53	85.66	114.89
Diluted earnings per share (¥)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets (%)	40.6	42.2	40.5	38.9	33.8
Ratio of return on equity attributable to owners of parent (%)	5.7	7.1	9.2	12.0	14.4
Price earnings ratio (PER) (Times)	11.18	18.05	12.10	8.84	7.23
Net cash from (used in) operating activities (¥ thousand)	(325,054)	2,772,614	344,537	(4,443,093)	(7,472,487)
Net cash from (used in) investing activities (¥ thousand)	56,228	(940,724)	(2,878,766)	481,605	(8,193,818)
Net cash from (used in) financing activities (¥ thousand)	1,316,359	3,456,677	3,891,894	6,661,097	18,522,496
Cash and cash equivalents at end of period (¥ thousand)	9,410,622	14,711,997	16,100,795	18,791,081	21,640,866
Number of employees [Separately, average number of temporary employees] (Person)	220 [228]	227 [228]	263 [226]	301 [163]	368 [155]

Notes: 1. Revenue does not include consumption taxes.

2. Diluted earnings per share for the 63rd term to the 65th term is not presented because there were no potential shares. Diluted earnings per share for the 66th term and 67th term are not presented because there were no potential shares that have dilutive effects.
3. As from the 64th term, the Company has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standard ("IFRS"). In addition, the Company includes benchmarks for the 63rd term prepared in accordance with the IFRS.
4. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, equity attributable to owners of parent per share, and basic earnings per share were calculated on the assumption that the share split was implemented at the

beginning of the 63rd term.

5. The Group has partially changed accounting policies from the 65th term and restated the related principal management benchmarks for the 64th retrospectively.

Term	Japanese GAAP	
	63rd term	64th term
Accounting period	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013
Net sales (¥ thousand)	24,195,800	35,070,345
Ordinary income (¥ thousand)	2,323,108	3,105,842
Net income attributable to owners of parent (¥ thousand)	1,466,225	1,890,083
Comprehensive income (¥ thousand)	1,465,299	1,894,728
Net assets (¥ thousand)	26,569,743	30,122,824
Total assets (¥ thousand)	65,352,734	71,265,154
Net assets per share (¥)	581.60	623.87
Net income per share (¥)	32.09	40.56
Net income per share (diluted) (¥)	–	–
Equity ratio (%)	40.7	42.3
Return on equity (%)	5.6	6.7
Price earnings ratio (PER) (Times)	11.17	19.16
Net cash from (used in) operating activities (¥ thousand)	(325,054)	2,772,614
Net cash from (used in) investing activities (¥ thousand)	56,228	(940,724)
Net cash from (used in) financing activities (¥ thousand)	1,316,359	3,456,677
Cash and cash equivalents at end of period (¥ thousand)	9,410,622	14,711,997
Number of employees [Separately, average number of temporary employees] (Person)	220 [228]	227 [228]

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

2. Net income per share (diluted) is not presented because there were no potential shares.
3. 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.
4. 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.
5. The Company split its shares by 100 for 1, effective July 1, 2013. Therefore, net assets per share or equity attributable to owners of 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	63rd term	64th term	65th term	66th term	67th term
Accounting period	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013	Fiscal year ended Nov. 30, 2014	Fiscal year ended Nov. 30, 2015	Fiscal year ended Nov. 30, 2016
Net sales (¥ thousand)	19,431,692	30,044,918	45,361,084	37,242,841	41,965,432
Ordinary income (¥ thousand)	2,016,138	2,654,711	4,130,769	5,553,118	7,123,434
Net income (¥ thousand)	1,198,413	1,656,236	2,439,091	3,906,732	4,734,766
Capital stock (¥ thousand)	5,454,673	6,421,392	6,421,392	6,421,392	6,421,392
Total number of shares issued (Shares)	456,840	48,284,000	48,284,000	48,284,000	48,284,000
Net assets (¥ thousand)	25,699,023	29,015,893	31,131,670	34,478,314	38,455,373
Total assets (¥ thousand)	61,460,079	67,207,256	76,218,316	88,071,296	114,085,085
Net assets per share (¥)	562.54	600.94	644.76	714.06	795.50
Dividends per share (¥) [Interim dividends per share] (¥)	600.00 [–]	8.00 [–]	12.00 [–]	16.00 [–]	22.00 [–]
Net income per share (¥)	26.23	35.54	50.52	80.91	98.06
Net income per share (diluted) (¥)	–	–	–	—	—
Equity ratio (%)	41.8	43.2	40.8	39.1	33.7
Return on equity (ROE) (%)	4.8	6.1	8.1	11.9	13.0
Price earnings ratio (PER) (Times)	13.67	21.86	14.25	9.36	8.47
Dividend payout ratio (%)	22.9	22.5	23.8	19.8	22.4
Number of employees [Separately, average number of temporary employees] (Person)	116 [–]	120 [–]	131 [–]	140 [–]	152 [–]

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

2. Net income per share (diluted) for the 63nd term to the 65th term is not presented because there were no potential shares. Net income per share (diluted) for the 66th term and the 67th term are not presented because there were no potential shares that have dilutive effects.
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. (Liquidation completed on August 2016)
March 2013	Listed shares on Main Board of Singapore Exchange
November 2014	Tosei Reit Investment Corporation, which is managed by Tosei Asset Advisors, Inc., a consolidated subsidiary of Tosei Corporation, listed shares on Tokyo Stock Exchange
December 2015	Made Urban Home Corporation a consolidated subsidiary by acquiring its shares
February 2016	Established Tosei Hotel Management Co., Ltd.

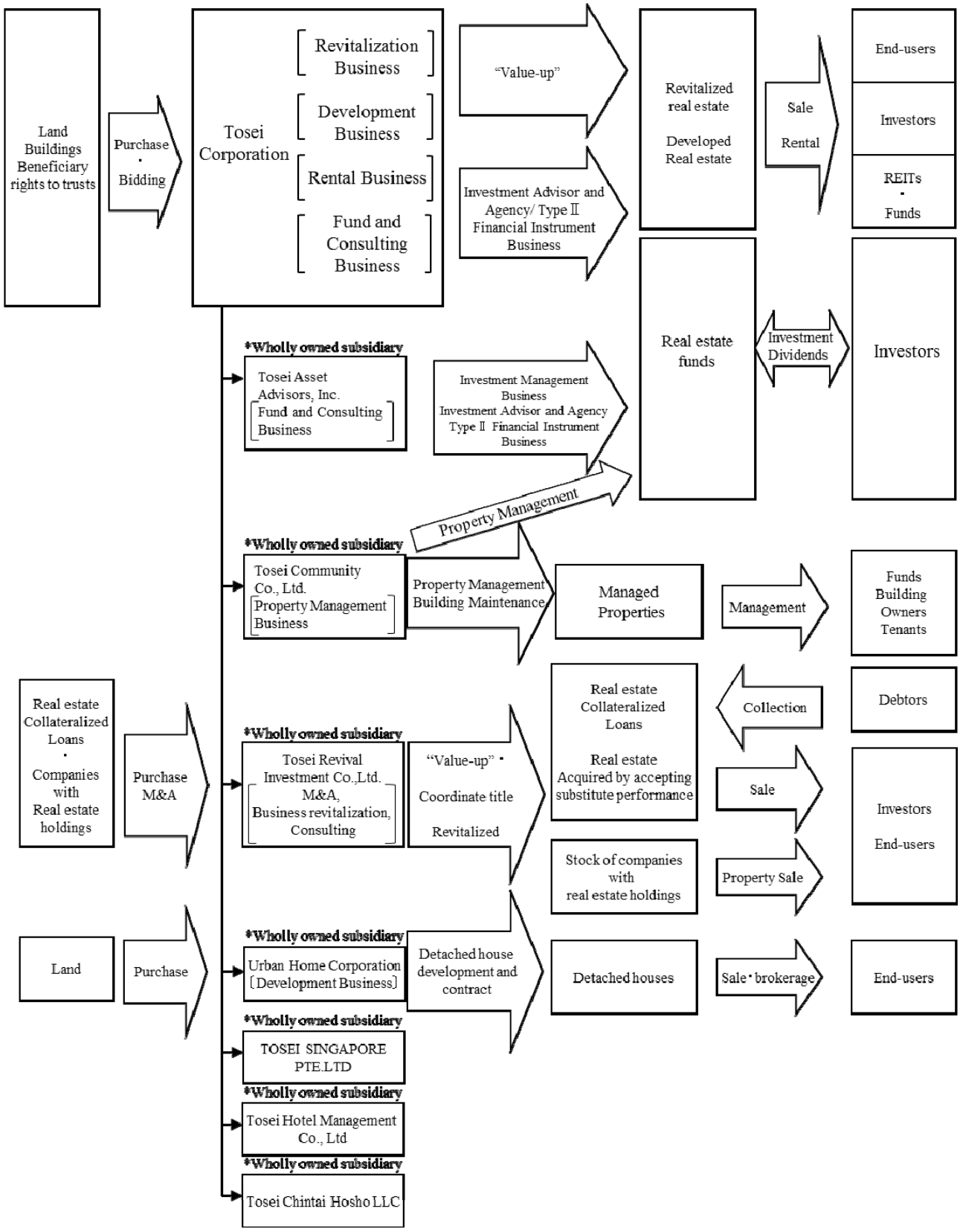
3. Business description

The Tosei Group is composed of Tosei Corporation ("Tosei" or the "Company") and 12 subsidiaries (including 11 consolidated subsidiaries). Its main businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, and the Property Management Business. The operations of each business segment and the main subsidiaries and/or affiliates conducting those operations are as follows.

Segment	Operations	Main Companies
Revitalization Business	The Tosei Group acquires, through diverse means (*1), office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value though "value-up plans" (*2) judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. 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 Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This put a focus on not only improving the convenience and functionality of properties but also providing satisfaction to owners and giving end users a sense of pride. (*1) The Company carries out the acquisition of superior real estate through a broad range of means that include not only buying and selling actual real estate, but also acquisitions through the means of "real estate M&A" where real estate held by companies with real estate holdings and by real estate business operators is acquired through M&A, and through real estate collateralized loans and rights adjustment for substitute performance real estate. (*2) The Company's "value-up plans" consist of the three primary components of improved designs to refurbish/renovate internal and external elements that have deteriorated or become obsolete, enhanced security functions, etc., to increase the security and functionality of facilities, and incorporating eco-friendly designs and equipment that take the environment into consideration, in addition to improved profitability through conversion projects, vacancy countermeasures, rent increases, etc.	Tosei Corporation Tosei Revival Investment Co., Ltd.
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, Tosei carries out development and new construction to maximize the value of the land, and then sells whole buildings 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, hotels, condominiums (THE Palms series), as well as detached houses (THE Palms Court series and Comodo Casa series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds, and end-users.	Tosei Corporation Urban Home Corporation
Rental Business	The Tosei Group has expanded the scope of its business primarily in the main districts of Tokyo by acquiring office buildings, condominiums, stores and parking lots, and renting them out to end-users and others. As a landlord, the Tosei Group is capable of swiftly gathering accurate information on tenant needs to further enhance "value-up plans" by reflecting these needs.	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 providing Tosei Reit Investment Corporation's asset management services, the Tosei Group also provides services such as selling and brokering trust beneficiary rights, and management of income-generating properties as asset management services for real estate funds. Also, the Tosei Group provides consulting services and real estate brokerage related to corporate real estate held by business entities.	Tosei Corporation Tosei Asset Advisors, Inc
Property Management Business	This business carries out building and equipment management, and security (building maintenance) for office buildings, apartments, hotels, commercial facilities, and educational facilities; owner proxy services, tenant management, tenant solicitation, and building management (property management); and management services for condominiums. With respect to building maintenance, in order to streamline building owners' operations through building maintenance, the management of equipment, etc., the business maintains the asset values of buildings by implementing precise maintenance plans regarding the age-related deterioration of buildings. With respect to property management, the business provides comprehensive property management such as finding the most suitable tenants and proposing medium- to long-term property renewals, with the aim of realizing maximized owner profit. In the management of condominium, this business makes full use of the knowhow it has accumulated over a number of years to provide total support to management associations from their launch to helping them operate smoothly once they are started up.	Tosei Community 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.	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 Revival Investment Co., Ltd.	Minato-ku, Tokyo	50,000	Real estate consulting business	100.0	Interlocking directorate
Urban Home Corporation	Machida-shi, Tokyo	100,000	Development business	100.0	
Kishino Corporation	Minato-ku, Tokyo	10,000	Revitalization business	100.0	
Kishino Real Estate Corporation	Minato-ku, Tokyo	10,000	Revitalization business	100.0	
Four Big Corporation	Minato-ku, Tokyo	80,000	Revitalization business	100.0	
Tosei Hotel Management Co., Ltd.	Minato-ku, Tokyo	10,000	Hotel management	100.0	
Tosei Chintai Hosho LLC	Minato-ku, Tokyo	3,000	Property management business	100.0	
Tosei Singapore Pte. Ltd.	Singapore	322,787	Real estate consulting business	100.0	
Crystal Sports Club	Minato-ku, Tokyo	35,000	Sports club management	100.0	

Note: Urban Home Corporation, Kishino Corporation, Kishino Real Estate Corporation and Four Big Corporation were acquired in M&A transactions during the fiscal year under review, while Tosei Hotel Management Co., Ltd and Tosei Chintai Hosho LLC were separately established, and were included in the scope of consolidation. Urban Next Co., Ltd was acquired in an M&A transaction during the fiscal year under review, but as of October 1, 2016, it was merged by absorption-type merger with Urban Home Corporation and thus was extinguished.

In addition, the consolidated subsidiary previously known as NAI Tosei Japan, Inc. changed its trade name on January 31, 2016 to Tosei international, Inc. and then as a result of the completion of liquidation on August 5, 2016, it was excluded from the scope of consolidation.

5. Status of employees

(1) Consolidated companies

(As of November 30, 2016)

Segment	Number of employees (Person)	
Revitalization Business	50	[–]
Development Business	80	[2]
Rental Business	26	[–]
Fund and Consulting Business	67	[–]
Property Management Business	98	[118]
Other	7	[35]
Corporate (common)	40	[–]
Total	368	[155]

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.

3.Compared with November 30, 2015, the number of employees increased by 67 people, largely as a result of acquisitions through M&A transactions of Urban Home Corporation , which mainly operate real estate development business.

(2) Filing company (Tosei)

(As of November 30, 2016)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (¥ thousand)
152	37.1	5.5	7,746

Segment	Number of employees (Person)
Revitalization Business	49
Development Business	37
Rental Business	21
Fund and Consulting Business	5
Corporate (common)	40
Total	152

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, 2016, the Japanese economy remained on a moderate recovery track despite apparent weaknesses in exports and production. There is increasing uncertainty about the future of the global economy due primarily to the impact from concern of slowdown in emerging-market economies, the issue of Britain's withdrawal from the EU, and the direction that economic measures will take in the U.S., which will soon inaugurate a new president. However, a moderate recovery is expected backed by robust personal consumption amid steady improvement of the employment and income environment going forward.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities from January 2016 to August 2016 decreased 20% year on year to ¥2.6665 trillion. Transactions decreased due to a fall in property supply available to the market in addition to investors, particularly overseas investors, refraining from making real estate transactions involving relatively expensive properties despite very high investment motivation for investors, both in Japan and overseas, against a backdrop of a favorable financing environment (according to a survey by a private research institution).

In the Tokyo metropolitan area condominium market, consumer buying motivation did not increase amid a surge in condominium prices and another postponement of the consumption tax hike, and sales companies have been reducing property supply. The number of newly-built condominium units sold from January 2016 to October 2016 decreased 15.3% year on year, and contract rates for each month were, in general, at levels below the 70% threshold from which market conditions are viewed as favorable. In projections by a private research institution, the number of units sold in 2016 is forecast to be around 37,000, marking the first time in seven years that the number of units sold has fallen below 40,000 since 2009, when supply fell after the Lehman Crisis.

In the Tokyo metropolitan area build-for-sale detached house market, housing starts from January 2016 to October 2016 rose 8.7% year on year. There continues to be strong demand for detached housing, which is relatively inexpensive compared to new condominiums, and robust demand is expected to continue going forward (according to the Ministry of Land, Infrastructure, Transport and Tourism data).

In the office leasing market of Tokyo's five business wards, demand from corporate businesses for relocation and expansion continued to be strong and the vacancy rate was low in the mid-3% range. The average asking rent continued to increase gradually and the price per tsubo (1 tsubo = 3.3m2) as of October 2016 was in the ¥18,400 range, rising 4.7% year on year (according to a survey by a private research institution).

In the real estate securitization market, expansion of the market is continuing against a backdrop of a favorable financing environment. The total value of assets under management in the J-REIT market as of October 31, 2016, (acquisition cost base) increased around ¥1.4 trillion year on year to around ¥15.2 trillion. As of June 30, 2016, the total value of assets under management in the J-REIT market amounted to approx. ¥14.8 trillion and private placement funds amounted to approx. ¥13.9 trillion for a total market size of approx. ¥28.7 trillion (according to a survey by a private research institution).

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

As a result, consolidated revenue for the fiscal year under review, totaled ¥49,818 million (up 15.8% year on year), operating profit was ¥9,279 million (up 34.6%), profit before tax was ¥8,450 million (up 39.9%), and profit for the year was ¥5,547 million (up 34.1%).

Performance by business segment is shown below.

Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2016, and in the following yearly comparisons figures for 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 32 properties it had renovated, including Kinshicho Tosei Building (Sumida-ku, Tokyo), STABLE NAKANO (Nakano-ku, Tokyo), City Forum Kamihongo

(Matsudo-shi, Chiba), Château Espoir Kokubunji (Kokubunji-shi, Tokyo), JPT Motomachi Building (Yokohama-shi, Kanagawa) and Hakusan Asanomi Building (Bunkyo-ku, Tokyo). In addition, the segment sold 57 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and Renai Kamakura Ueki (Kamakura-shi, Kanagawa). During the fiscal year under review, it also acquired a total of 54 income-generating office buildings and apartments and eight land lots for renovation and sales purposes.

As part of the acquisition, our company acquired Kishino Coporation and Kishino Real Estate Corporation, companies hold income properties mainly in Toshima-ku, Tokyo, in the second quarter and acquired Four Big Corporation, company hold income properties mainly in Nakano-ku, Tokyo, in third quarter, through M&A transaction and converted them into consolidated subsidiaries.

As a result, revenue in this segment was ¥25,809 million (down 0.7% year on year) and the segment profit was ¥4,001 million (down 4.1%).

Development Business

During the fiscal year under review, the segment sold new commercial facilities T's BRIGHTIA Minami Aoyama (Minato-ku, Tokyo) and T's BRIGHTIA Tsunashima (Yokohama-shi, Kanagawa). In addition, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 119 detached houses at such properties as THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba), THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama), THE Palms Court Mitaka Osawa (Mitaka-shi, Tokyo), THE Palms Court Hashimoto (Sagamihara-shi, Kanagawa) and THE Palms Court Kitakoiwa (Edogawa-ku, Tokyo). During the fiscal year under review, it also acquired five land lots for detached housing projects, one land lot for condominium and three land lots for commercial facility projects.

From the three months ended February 29, 2016, the segment embarked on efforts to enhance acquisition and sales networks in the outskirts of Tokyo and the Kanagawa area, facilitated by the Company making Urban Home Corporation, detached house sales and custom home construction company based in Machida-shi, Tokyo, a consolidated subsidiary.

As a result, revenue in this segment was ¥13,138 million (up 98.9% year on year) and the segment profit was ¥3,674 million (up 586.8%).

Rental Business

During the fiscal year under review, while the segment sold 21 buildings of its inventory assets held for leasing purposes, it newly acquired 51 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 ¥5,282 million (up 25.4% year on year) and the segment profit was ¥2,389 million (up 33.0%).

Fund and Consulting Business

During the fiscal year under review, while ¥74,462 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥100,856 million was added to the balance of assets under management ¥421,792 for the end of the previous fiscal year, due mainly to new asset management contracts of large projects the segment obtained. The balance of assets under management as of November 30, 2016, was ¥448,186 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥2,302 million (down 5.6% year on year) and the segment profit was ¥951 million (down 35.0%).

(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 594 as of November 30, 2016, an increase of 47 properties from November 30, 2015, with that total comprising 375 office buildings, hotel, schools and other such properties, and 219 condominiums and apartments.

As a result, revenue in this segment was ¥2,944 million (down 4.1% year on year) and segment profit was ¥141 million (down 3.8%).

Others

During the fiscal year under review, revenue in this segment was ¥340 million (down 51.0% year on year)

and the segment loss was ¥17 million (in comparison with segment profit of ¥178 million in the previous fiscal year).

(2) Cash flows

Cash and cash equivalents (hereinafter "cash") as of November 30, 2016 totaled ¥21,640 million, an increase of ¥2,849 million compared with November 30, 2015.

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 ¥7,472 million (up 68.2% year on year). This is mainly due to profit before tax of ¥8,450 million, as well as an increase in inventories of ¥15,971 million, which was a result of property acquisitions in the Revitalization Business and Development Business, and income taxes paid of ¥2,297 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥8,193 million (net cash provided by investing activities totaled ¥481 million in the previous fiscal year). This is primarily due to purchases of investment properties ¥1,743 million, payments of loans receivable ¥2,935 million and purchase of investments in subsidiaries resulting in change in scope of consolidation totaling ¥3,297 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥18,522 million (up 178.1% year on year).

This mainly reflects ¥23,866 million in the repayments of non-current borrowings, ¥ 926 million in interest expenses paid and ¥771 million in cash dividends paid, despite ¥42,442 million in proceeds from non-current borrowings.

(3) 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 retirement benefit obligations

Under IFRS, an entity is required to recognize actuarial gains and losses that arose in other comprehensive income and does not recycle those actuarial gains and losses subsequently.

Due to this effect, retirement benefit costs in the previous fiscal year and the fiscal year under review decreased by ¥6,222 thousand and ¥6,795 thousand, respectively, compared with those under Japanese GAAP.

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 ¥981 thousand and ¥8,677 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 and property management, it is difficult to define "actual production." Accordingly, the Company does not report actual production.

(2) Actual orders received

Although subsidiaries of the Company receive orders for production, the Company does not report actual orders received because its amount is immaterial.

(3) Actual sales

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

Segment	Fiscal year ended November 30, 2016	Comparison with the previous fiscal year (%)
	Amount (¥ thousand)	
Revitalization Business	25,809,872	(0.7)
Development Business	13,138,715	98.9
Rental Business	5,282,131	25.4
Fund and Consulting Business	2,302,732	(5.6)
Property Management Business	2,944,458	(4.1)
Other	340,203	(51.0)
Total	49,818,113	15.8

Notes: 1. Transactions between segments were eliminated.

2. The amounts of sales to each major customer and the ratios of the said sales to total sales in the two most recent fiscal years are as follows.

Customer	Fiscal year ended November 30, 2015		Fiscal year ended November 30, 2016	
	Amount (¥ thousand)	Ratio (%)	Amount (¥ thousand)	Ratio (%)
Tosei Reit Investment Corporation	10,791,865	25.1	7,342,359	14.7

3. The above amounts do not include consumption taxes.

3. Issues to be addressed

(1) Description of present issues to be addressed

The Group is aiming to establish a firm management structure that is able to withstand any changes in the market environment, and set the "vision of revenue ¥100 billion" a medium- to long-term vision for the 2020 fiscal year. The fiscal year ending November 30, 2017, is the final year of the current medium-term management plan and we are working toward realizing the 2020 concept that is the Company's aim. Based on future forecasts for the real estate investment market going forward and the housing market targeting end users, we recognize that formulating a more practical new medium-term management plan is an issue to be addressed.

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

1) Contents of basic policy

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

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

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

It is particularly necessary and essential for the persons who make decisions on the Company's financial and business policies to (i) maintain the system under which the Company internally covers the six business fields (Note) 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.

2) Overview of special measures to realize the basic policy

Under the new medium-term management plan called "Advancing Together 2017" (the targeted period of the plan is three years from December 2014 to November 2017), the Company group aims to further strengthen the business infrastructure by expanding and developing of the existing six business (Note) areas and considering its advance to peripheral areas of business, to build optimum corporate governance for expansion of the Company group and increase of the employees which are entailed in expansion of the business, and to establish efficient organization management structure. Further, the Company group will emphasize the cultivation of the most valuable asset of the Company group, i.e. the human resources to increase satisfaction of the employees of the Company group. As the Basic Policy in the new medium-term management plan for the further growth of the Company group, the Company group is determined to establish the original and distinctive "Tosei brand" by providing products ensuring high customer satisfaction and high-quality services.

Based on these policies, the Company group is dedicated to redefine existing ideas with the spirit of challenge and advance as the risk-taking group of companies, to aim "creation of new values and sensation as the truly globally-minded and promising professionals".

The Company group has previously appointed multiple outside directors (two members), invited all Audit & Supervisory Board Members (four members) from outside the company, and has notified all of the above six outside directors and Audit & Supervisory Board Members as "independent directors and/or Audit & Supervisory Board Members" in accordance with the "Principles of Corporate Governance for Listed Companies" of the Tokyo Stock Exchange. Also, the Company group has reinforced the business execution function by the introduction of the executive officer system, and the establishment of the corporate governance board, and will continue to endeavor to further strengthen corporate governance. Specifically, the Company group will focus on putting into practice actions based on a high-level awareness of compliance through raising awareness from the level of "role model" to that of "ideal" in accordance with the Compliance Principles of the Company, thorough implementation of risk management by correctly understanding and analyzing risks involved in corporate activities, continuous performance of accountability to various stakeholders including investors by promptly publicly disclosing correct corporate information under the spirit of fair disclosure, and other efforts for strengthening corporate governance.

3) Overview of 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 65th Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

4) 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.

Note: Reportable segment classifications have been changed effective from the first quarter of the fiscal year ending November 30, 2016. For details, please refer to "6. Segment information" in "V. Accounting 1. Consolidated financial statements, etc. (1) Consolidated financial statements [Notes to Consolidated Financial Statements]"

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, 2016. 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. Furthermore, the information below is not intended to be an exhaustive list of all risks associated with the businesses of the Tosei Group or investment in the Company's shares.

(1) Trends in economic conditions

The demand for office buildings and commercial facilities owned by the Tosei Group may be affected by economic trends, and willingness of customers buying houses to buy is easily influenced by economic trends and the resulting employment situation as well as by a decline in land prices stemming from a downturn in the real estate market or other cause. Due to these factors, when worsening of domestic and foreign economic conditions results in decreased motivation to invest in real estate, a drop in real estate transactions, a rise in the vacancy rate or a decline in rent, there may be an impact on the Tosei Group's operating results and financial position.

(2) Disasters, etc.

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 values of the real estate the Tosei Group invests in, manages, develops and controls, and therefore has the potential to affect the Tosei Group's operating results and financial position.

(3) 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.

(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 • 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 an administrative punishment such as suspension of operating activities for a certain period is imposed 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–No. 127	February 28, 2021	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, 2021	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)	Financial Services Agency	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 (3) No. 85736	April 7, 2021	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)

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.70	—	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 (Investment Management Business, Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	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)
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 (4) No. 80048	September 28, 2021	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, 2021	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, (3) No. 31311	March 16, 2019	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)

Urban Home Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (1) No. 9038	August 19, 2021	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)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–26) No.112893	March 24, 2020	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.54776	June 24, 2018	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)

Kishino 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 (1) No.99269	June 3, 2021	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)

Kishino Real Estate 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 (1) No.99270	June 3, 2021	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)

Four Big 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 (1) No.99828	October 21, 2021	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)

(5) 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.

(6) New businesses

The Tosei Group has acquired companies, established subsidiaries, and conducted other activities for the purpose of launching new businesses such as a hotel business, expanding the existing businesses and others. Since entry into these businesses and business performance after the entry involve various uncertainties, the Tosei Group has established the internal management system, developed human resources, obtained insurance, etc. on the assumption of all possible risks. However, there may be an impact on the Tosei Group's financial position and operating results, depending on occurrence of risks beyond the assumption or changes in laws and regulations.

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, 2016 is as follows.

Forward-looking statements included in this section are based on information available to the Group's management as of November 30, 2016.

(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 judgments requiring estimates" in "V. Accounting, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Notes to Consolidated Financial Statements."

(2) Analysis of financial position

The consolidated financial position as of November 30, 2016 was as follows. Total assets increased 30.1% compared with the end of the previous fiscal year to ¥121,276 million, liabilities rose 40.9% to ¥80,266 million, and equity rose 13.2% to ¥41,010 million. The ratio of equity attributable to owners of parent to total assets was 33.8%, compared with 38.9% at the end of the previous fiscal year.

Current assets

As of November 30, 2016, the balance of current assets was ¥92,592 million, an increase of ¥24,703 million compared with the end of the previous fiscal year. This was mainly attributable to a ¥21,142 million increase in inventories because the acquisition of properties progressed at a steady pace in the Tosei Group's mainstay Revitalization Business and Development Business.

Non-current assets

As of November 30, 2016, the balance of non-current assets was ¥28,683 million, up ¥3,376 million compared with the end of the previous fiscal year. This was mainly due to a ¥2,942 million increase in investment properties.

Current liabilities

As of November 30, 2016, the balance of current liabilities was ¥14,651 million, up ¥832 million compared with the end of the previous fiscal year. This was mainly due to a ¥709 million increase in current income tax liabilities.

Non-current liabilities

As of November 30, 2016, the balance of non-current liabilities was ¥65,614 million, up ¥22,465 million compared with the end of the previous fiscal year. This was mainly due to a ¥21,596 million increase in Borrowings.

Equity

As of November 30, 2016, equity was ¥41,010 million, an increase of ¥4,781 million compared with the end of the previous fiscal year. This was mainly due to a ¥4,792 million increase in retained earnings.

(3) Analysis of operating results

For the fiscal year under review, operating results were as follows. Revenue increased 15.8% year on year to ¥49,818 million, profit before tax rose39.9% to ¥8,450 million, and profit for the year rose 34.1% to ¥5,547 million.

Revenue

In the fiscal year under review, revenue was ¥49,818 million, a increase of ¥6,811 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 ¥33,468 million, up ¥2,376 million compared with the previous fiscal year.

As a result, gross profit was ¥16,349 million, an increase of ¥4,434 million compared with the previous fiscal year.

The gross profit margin was 32.8%, up from 27.7% 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 ¥7,021million, an increase of ¥1,922 million compared with the previous fiscal year. This was mainly due to a ¥660 million increase in sales expenses accordance with revenue increase in development business and a ¥751 million increase in personnel cost related to increase in employees caused by business expansion.

As a result, operating profit in the fiscal year under review was ¥9,279 million, an increase of ¥2,387 million compared with the previous fiscal year.

Profit before tax

In the fiscal year under review, finance income, which was comprised of interest and dividends income, was ¥63 million, an increase of ¥40 million compared with the end of the previous fiscal year. Finance costs, mainly interest expenses, were ¥892 million, an increase of ¥18 million compared with the end of the previous fiscal year.

As a result, profit before tax in the fiscal year under review was ¥8,450 million, an increase of ¥2,409 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 ¥2,902 million, an increase of ¥998 million compared with the previous fiscal year.

As a result, profit for the year was ¥5,547million, an increase of ¥1,411 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, 2014	Fiscal year ended Nov. 30, 2015	Fiscal year ended Nov. 30, 2016
Ratio of equity attributable to owners of parent to total assets (%)	40.5	38.9	33.8
Market value ratio of equity attributable to owners of parent to total assets (%)	43.0	39.2	33.1
Interest-bearing debt to cash flow ratio (years)	117.3	―	―
Interest coverage ratio (times)	0.3	―	―

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 consolidated fiscal year ended November 30, 2015 and the consolidated fiscal year ended November 30, 2016 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 Group's basic management policy is to strive to maintain the sound financial condition and steadily enhance business results.

The Group is aiming to establish a firm management structure that is able to withstand any changes in the market environment, and set the "vision of revenue ¥100 billion" a medium- to long-term vision for the 2020 fiscal year. The fiscal year ending November 30, 2017, is the final year of the current medium-term management plan and we are working toward realizing the 2020 concept that is the Company's aim. Based on future forecasts for the real estate investment market going forward and the housing market targeting end users, we recognize that formulating a more practical new medium-term management plan is an issue to be addressed.

III. Facilities

1. Outline of capital expenditures

In the fiscal year ended November 30, 2016, we made capital expenditures totaling ¥1,825 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, 2016)

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	987,906	2,219,719 (633.53)	54,341	3,261,967	152
Leasing properties (19 properties in Chiyoda-ku, Tokyo, etc.)	Rental Business	Rental buildings, stores, etc.	5,936,445	14,063,160 (32,930.88)	14,327	20,013,933	—
Total	–	–	6,924,352	16,282,879 (33,564.41)	68,668	23,275,900	152

Note: The above amounts do not include consumption taxes.

(2) Domestic subsidiaries

(As of November 30, 2016)

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	163,705	331,755 (657.47)	—	495,461	—
Tosei Revival Investment Co., Ltd.	Leasing properties (2 properties in Arakawa-ku, Tokyo, etc.)	Rental Business	Apartment , Rental building	376,855	496,030 (915.95)	39	872,926	—
Urban Home Corporation	Head office (Machida-shi, Tokyo)	Development business	Office facilities	67,921	185,346 (420.71)	18,850	272,118	43

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.

1) Total number of shares authorized

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

2) Number of shares issued

Class	Number of shares issued (Share; as of Nov. 30, 2016)	Number of shares issued (Share; as of the date of filing: Feb. 27, 2017)	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

Stock acquisition rights issued pursuant to the Companies Act are as follows:
Resolution of the meeting of the Board of Directors held on October 28, 2015

	As of November 30, 2016	As of January 31, 2017
Number of stock acquisition rights (units)	5,060	5,060
Number of treasury stock acquisition rights in total stock acquisition rights (units)	250	250
Class of shares delivered upon exercise of stock acquisition rights	Ordinary shares	Same as on the left
Number of shares delivered upon exercise of stock acquisition rights (shares)	506,000 (Note 1)	506,000 (Note 1)
Amount to be paid in upon exercise of stock acquisition rights (¥)	803 (Note 2)	Same as on the left
Period during which stock acquisition rights may be exercised	From January 10, 2018 to October 28, 2020	Same as on the left
Issue price and amount capitalized of shares when issued through the exercise of stock acquisition rights (¥)	Issue price: 803 Amount capitalized: 402	Same as on the left
Terms and conditions for exercising stock acquisition rights	(Note 3)	Same as on the left
Transfer of stock acquisition rights	Acquiring stock acquisition rights through transfer shall require approval by resolution of the Company's Board of Directors.	Same as on the left
Substitute payment	—	—
Delivery of stock acquisition rights in line with acts of structural reorganization	(Note 4)	Same as on the left

Notes: 1. The number of shares delivered upon exercise of each of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares.In the event that the Company conducts a share split (including allotment of ordinary shares of the Company without contribution; hereinafter the same for a share split) or a consolidation of shares, of ordinary shares of the Company after the date on which the allotment of stock acquisition rights is conducted (the "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula. However, the relevant adjustment shall only be made to the number of shares to be delivered upon exercise of stock acquisition rights that have not yet been exercised as of the relevant point in time. Any fraction less than one (1) share resulting from this adjustment shall be rounded down.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or consolidation}$$

In the event that the Company conducts a share split, the Number of Shares Granted after adjustment shall apply on and after the following day of the base date of the share split (or on and after the effective date if no base date is set). In the event of a consolidation of shares, the Number of Shares Granted after adjustment shall apply on and after its effective date. However, in the event that a share split is conducted under the condition that a proposal to decrease surplus and increase capital stock or legal capital surplus is approved at a general meeting of shareholders of the Company ("General Meeting of Shareholders"), and a date before the date of conclusion of the General Meeting of Shareholders is set as the base date of the share split, the Number of Shares Granted after adjustment shall apply on and after the following day of the date of conclusion of the General Meeting of Shareholders.

In addition, in the event that, after the Allotment Date, the Company conducts a merger, a company split or a share exchange, and in any event equivalent to these in which it becomes necessary to adjust the Number of Shares Granted, the Company may make the adjustment that the Board of Directors deems necessary.

2. In the event that, after the Allotment Date, the Company conducts the following (1) or (2) regarding its ordinary shares, the Exercise Value shall be adjusted according to the respective formula below (the "Exercise Value Adjustment Formula"). Any fraction less than one (1) yen resulting from this adjustment shall be rounded up.

(1) When the Company conducts a share split or a consolidation of shares:

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

(2) When the Company issues new shares or disposes of its treasury shares for a value less than the market value (excluding the following cases: sale of treasury shares due to "a demand for sale of shares less than one unit by a holder of shares less than one unit" stipulated in Article 194 of the Companies Act, transfer of treasury shares in accordance with Article 5, paragraph 2 of the Supplementary Provisions of the Act for Partial Amendment, etc. of the Commercial Code, etc. (Act No. 79 of 2001), exercise of subscription rights to shares under Article 280-19 of the Commercial Code before the enforcement of the Act Partially Amending the Commercial Code, etc. (Act No. 128 of 2001), conversion of securities that are or may be converted to the ordinary shares of the Company, and exercise of stock acquisition rights that may claim to deliver the ordinary shares of the Company including stock acquisition rights incidental to bonds with stock acquisition rights):

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Market Value}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

i. The "Market Value" used in the Exercise Value Adjustment Formula shall be the average value of the closing price (including a quotation; hereinafter the same) for regular transactions of the ordinary shares of the Company at the Tokyo Stock Exchange (excluding any day on which no closing price is made) for 30 transaction days starting on the 45th transaction day preceding "the date on which the Exercise Value after adjustment shall apply" stipulated in (3) below (the "Application Date"). The "average value" shall be calculated to two decimal places and rounded off to one decimal place.

ii. The "Number of shares outstanding" shall be obtained by subtracting the number of own ordinary shares held by the Company as of the base date, if any, or the day one month before the Application Date in other cases from the total number of the ordinary shares issued as of such date.

iii. In the event that the Company disposes of its treasury shares, the "Number of shares newly issued" shall be deemed to be replaced with the "Number of treasury shares to be disposed of."

(3) The date on which the Exercise Value after adjustment applies is stipulated as follows.

i. If adjusted in accordance with (1) above, the Exercise Value after adjustment shall apply on and after the following day of the base date (or on and after the effective date if no base date is set) in the case of a share split, or on and after the effective date in the case of a consolidation of shares. However, in the event that a share split is conducted under the condition that a proposal to decrease surplus and increase capital stock or legal capital surplus is approved at a General Meeting of Shareholders, and a date before the date of conclusion of the General Meeting of Shareholders is set as the base date of the share split, the Exercise Value after adjustment shall retroactively apply on the following day of such a base date, on and after the following day of the conclusion date of the General Meeting of Shareholders.

Further, in the case set forth in the preceding proviso, the ordinary shares of the Company shall be delivered to a holder of stock acquisition rights who has exercised stock acquisition rights during the period from the following day of the base date of a share split to the date of conclusion of the General Meeting of Shareholders according to the following formula (the number of shares to be delivered upon exercise of such stock acquisition rights is hereinafter referred to as the "Number of Shares Exercised before a share split"). Any fraction less than

one (1) share resulting from this adjustment shall be rounded down.

$$\text{Number of Shares} = \frac{(\text{Exercise Value before adjustment} - \text{Exercise Value after adjustment}) \times \text{Number of Shares Exercised before a share split}}{\text{Exercise Value after adjustment}}$$

ii. The Exercise Value after adjustment adjusted in accordance with (2) above shall apply on and after the following day of the payment due date (the last day of the payment period if such a period is set) of issuance or disposal (on and after the following day of the base date if such a date is set).

(4) In addition to the case stipulated in (1) and (2) above, in the event that the Company conducts a merger, a company split or a share exchange after the Allotment Date, and in any event equivalent to these in which it becomes necessary to adjust the Exercise Value, the Company may make the adjustment that the Board of Directors deems necessary.

3. Terms and conditions for exercising stock acquisition rights are as follows:

(1) Terms and conditions for respective segment of persons

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

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

(2) Terms and conditions for all the holders of stock acquisition rights

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

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

4. Matters regarding delivery of stock acquisition rights associated with organizational restructuring are as follows:

In the event that the Company conducts a merger (limited to the case where the Company is to be absorbed as a result of the merger), an absorption-type company split or incorporation-type company split (limited to the case where the Company is to be a split company in both company splits), a share exchange or a share transfer (limited to the case where the Company is to be a wholly-owned company in both types of restructuring) (collectively "Organizational Restructuring"), the stock acquisition rights of a company listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered respectively to a holder of stock acquisition rights who owns the remaining unexercised stock acquisition rights (the "Remaining Stock Acquisition Rights") immediately before the date when Organizational Restructuring takes effect (the date when an absorption-type merger takes effect, the date when a stock company is incorporated through an incorporation-type merger, the date when an absorption-type company split takes effect, the date when a stock company is incorporated through an incorporation-type company split, the date when a share exchange takes effect, or the date when a wholly owning parent company is incorporated through a share transfer; hereinafter the same), provided that such effect by which the stock acquisition rights of the Reorganized Company shall be delivered in accordance with the following items shall be stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.

(1) Number of stock acquisition rights of the Reorganized Company to be delivered
The number of stock acquisition rights of the Reorganized Company to be delivered shall equal the number of the Remaining Stock Acquisition Rights held by the holders of stock acquisition rights.

(2) Class of shares delivered upon exercise of stock acquisition rights of the Reorganized Company
The class of shares shall be ordinary shares of the Reorganized Company.

(3) Number of shares delivered upon exercise of stock acquisition rights of the Reorganized Company
The number of shares shall be determined in accordance with the preceding "Number of shares," taking into account conditions of the Organizational Restructuring, etc.

(4) Value of property to be contributed upon exercise of stock acquisition rights
The value of property to be contributed upon exercise of each of the stock acquisition rights to be delivered shall be an amount obtained by multiplying the Exercise Value after Organizational Restructuring, which is obtained by adjusting the Exercise Value stipulated in the preceding "Amount to be paid in upon exercise of stock acquisition rights " in consideration of conditions of the Organizational Restructuring, etc., by the number of shares delivered upon exercise of stock acquisition rights of the Reorganized Company, which shall be determined in accordance with (3) above.

(5) Period during which stock acquisition rights may be exercised

The period during which stock acquisition rights may be exercised shall start on either the commencing date of the exercisable period of stock acquisition rights stipulated in the preceding "Period during which stock acquisition rights may be exercised" or the effective date of the Organizational Restructuring, whichever is later, and end on the expiration date of the exercisable period of stock acquisition rights stipulated in the preceding "Period during which stock acquisition rights may be exercised".

(6) Matters regarding amount of increase of capital stock and legal capital surplus through issuing shares upon exercise of stock acquisition rights

Matters regarding capital stock and legal capital surplus to be increased shall be determined in accordance with the matters set forth in the Remaining Stock Acquisition Rights.

(7) Restriction on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Reorganized Company.

(8) Terms and conditions for exercising stock acquisition rights

Terms and conditions for exercising stock acquisition rights shall be determined in accordance with the preceding "Terms and conditions for exercising stock acquisition rights."

(9) Terms of acquisition of stock acquisition rights

The Company may acquire stock acquisition rights at no charge on the date stipulated separately by the Board of Directors in the event that the any of the following proposals (i) through (v) is approved by a General Meeting of Shareholders (or resolution is made by the Board of Directors or by Executive Officers who are delegated such a decision pursuant to the provisions of Article 416, paragraph 4 of the Companies Act, if the resolution of the General Meeting of Shareholders is not required).

(i) Proposal for approval of a merger agreement under which the Company becomes an absorbed company
(ii) Proposal for approval of a company split agreement or plan under which the Company becomes a split company
(iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned company
(iv) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of all kinds of shares of the Company
(v) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of the shares underling stock acquisition rights, or that the Company may obtain all of the said shares by the resolution of the General Meeting of Shareholders.

(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)
July 1, 2013 (Note 1)	45,227,160	45,684,000	–	5,454,673	–	5,538,149
July 25, 2013 (Note 2)	2,600,000	48,284,000	966,719	6,421,392	966,719	6,504,868

Notes: 1. This is attributable to the share split-up (100 shares for 1 ordinary share).

2. 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, 2016)

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)	–	24	30	51	150	5	6,079	6,339	–
Number of shares held (Unit)	–	59,680	6,265	69,569	144,019	26	203,263	482,822	1,800
Holding rate of shares (%)	–	12.36	1.30	14.41	29.82	0.01	42.10	100.00	–

Note: The number of "Other corporations" includes 4 units in the name of Japan Securities Depository Center, Inc.

(7) Status of major shareholders

(As of November 30, 2016)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500 shares	26.68%
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.42
KBL EPB S.A 107704 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	43, Boulevard Royal, L-2955 Luxembourg (2-15-1 Konan, Minato-ku, Tokyo, Japan)	4,846,300	10.03
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	2,075,600	4.29
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	P.O.BOX 351 Boston Massachusetts 02101 U.S.A (2-15-1 Konan, Minato-ku, Tokyo, Japan)	1,648,400	3.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	1,202,000	2.48
MSCO Customer Securities (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd. Securities Management Department)	1585 Broadway New York, New York 10036, U.S.A. (Otemachi Financial City South Tower 1-9-7 Otemachi, Chiyoda-ku Tokyo, Japan)	914,600	1.89
CBNY-Government of Norway (Standing proxy: Citibank Japan Ltd.)	388 Greenwich Street, New York, NY 10013 USA (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	772,600	1.60
Ueda Yagi Tanshi Co., Ltd.	2-4-2, Koraibashi, Chuo-ku, Osaka-shi, Osaka, Japan	767,000	1.58
State Street Bank and Trust Company (Standing proxy:The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	One Lincoln Street, Boston MA USA 02111 (3-11-1, Nihonbashi,Chuo-ku, Tokyo,Japan)	418,000	0.86
Total	–	31,530,000	65.30

Notes: The change report for the large shareholding report, which was made accessible to the public as of September 5, 2016, states that SPARX Asset Management Co., Ltd. held the following shares as of August 31, 2016. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review, the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	SPARX Asset Management Co., Ltd.
Address	Shinagawa Season Terrace,q Konan 1-2-70, Minato Ward, Tokyo
Number of share certificates, etc. held	2,485,400
Holding ratio of share certificates, etc.	5.15%

2. The change report for the large shareholding report, which was made accessible to the public as of April 6, 2016, states that HALLEY SICAV held the following shares as of April 1, 2016. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review, the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

Large volume holder	HALLEY SICAV
Address	7A rue Robert Stumper, L-2557 Luxembourg
Number of share certificates, etc. held	4,532,100
Holding ratio of share certificates, etc.	9.39%

(8) Status of voting rights

a. Shares issued

(As of November 30, 2016)

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 48,282,200	482,822	Tosei's standard class of shares with no rights limitations
Shares less than one unit	Ordinary shares 1,800	–	–
Total number of shares issued	48,284,000	–	–
Total number of voting rights	–	482,822	–

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, 2016)

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

The Company employs a stock option system. This system employs a method in which stock acquisition rights are issued pursuant to the Companies Act.

The details of the said stock option system are as follows.

(Resolution of the meeting of the Board of Directors held on October 28, 2015)

Date of resolution	October 28, 2015
Title and number of grantees	The Company's directors: five persons (including two outside directors) The Company's executive officers: seven persons The Company's employees: 193 persons Directors of the Company's subsidiaries: four persons
Class of shares delivered upon exercise of stock acquisition rights	Described in "(2) Status of stock acquisition rights" above.
Number of shares	Same as above
Amount to be paid in upon exercise of stock acquisition rights	Same as above
Period during which stock acquisition rights may be exercised	Same as above
Terms and conditions for exercising stock acquisition rights	Same as above
Transfer of stock acquisition rights	Same as above
Substitute payment	Same as above
Delivery of stock acquisition rights in line with acts of structural reorganization	Same as above

Note: Due to forfeit resulting from retirement of grantees, the title and number of grantees as of January 31, 2017 were as follows. the Company's directors: five persons (including two outside directors); the Company's executive officers: seven persons; the Company's employees: 180 persons; and directors of the Company's subsidiaries: four persons.

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 ¥22 per share for the fiscal year under review. As a result, the Company's consolidated dividend payout ratio came to 19.1% for the fiscal year ended November 30, 2016.

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, 2016 is as follows:

Resolution date	Total amount of dividends (¥ thousand)	Dividends per share (¥)
Ordinary General Meeting of Shareholders held on Feb. 24, 2017	1,062,248	22

4. Trends in share price

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

Term	63rd term	64th term	65th term	66th term	67th term
Accounting period	Fiscal year ended Nov. 30, 2012	Fiscal year ended Nov. 30, 2013	Fiscal year ended Nov. 30, 2014	Fiscal year ended Nov. 30, 2015	Fiscal year ended Nov. 30, 2016
Highest (¥)	37,650	151,900 * 966	881	954	856
Lowest (¥)	18,800	36,800 * 641	597	636	553

Note:1. The highest and lowest prices were prices on the First Section of Tokyo Stock Exchange.

2. The highest and lowest share prices prefixed by an asterisk 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. 2016	Jul. 2016	Aug. 2016	Sep. 2016	Oct. 2016	Nov. 2016
Highest (¥)	806	856	817	765	788	848
Lowest (¥)	700	735	710	710	725	740

Note: The highest and lowest prices were prices on the First Section of Tokyo Stock Exchange.

5. Status of officers

9 male officers and 0 female officers (Percentage of women in officers: 0%)

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 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.	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) Feb. 2016 Director of Tosei Asset Advisors, Inc. (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) Jun. 2014 Director of Nippon Venture Capital 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 Feb. 2012 Director of the Company (current position) Jan. 2013 Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)	Note 3	–

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.) Apr. 1999 General Manager of Pension Business Promotion Department III of The Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Oct. 2000 General Manager of Niigata Branch of The Mizuho Trust & Banking Co., Ltd. Mar. 2005 Full-time Audit & Supervisory Board Member of Nippon Carbon Co., Ltd. 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.	Note 4	–
Audit & Supervisory Board Member (full-time)		Hiroshi Nishinakama	Jul. 28, 1954	Apr. 1978 Entered The Sanwa Bank, Limited (the predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Oct. 1987 Manager of London Branch May 1992 Senior Manager of International Business Promotion Department, Americas Office Aug. 1994 General Manager of Kwai-Chung Sub Branch of Hong Kong Branch Aug. 1996 Senior Manager of Credit Administration Department Oct. 1999 Senior Vice President of Derivative Products Department Jan. 2002 UFJ Bank Limited (the predecessor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Senior Manager of Internal Audit Department Jan. 2006 The Bank of Tokyo-Mitsubishi UFJ, Ltd. Senior Manager of Internal Audit & Credit Examination Division Apr. 2007 Joined ORIX Real Estate Corporation as General Manager of Internal Audit Department Mar. 2008 Transferred to ORIX Corporation General Manager of Internal Audit Department (current position) Jul. 2008 Audit & Supervisory Board Member of ORIX Real Estate Corporation Mar. 2012 Director and General Manager of Internal Audit Department of ORIX Real Estate Investment Advisors Corporation Feb. 2015 Audit & Supervisory Board Member of the Company (current position) Feb. 2016 Audit & Supervisory Board Member of Tosei Asset Advisors, Inc. (current position) Apr. 2003 Full-time Audit & Supervisory Board Member of the Company Feb. 2016 Audit & Supervisory Board Member of the Company (current position)	Note 5	–

Title	Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
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. Jul. 2004 Director of Reference Group Holdings Ltd. 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) Apr. 2013 Director and Representative Partner of RG Asset Management Services Limited (HK) Jun. 2014 Director of System Location, Co., Ltd. (current position) Feb. 2016 Senior Director, Head of the Management Headquarters, and General Manager of Fund Management Division of All Nippon Asset Management, Co., Ltd. (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. Yutaka Kitamura, Hiroshi Nishinakama, 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 25, 2016.

4. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 24, 2017.

5. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 25, 2015.

6. Status of corporate governance, etc.

(1) Status of corporate governance

1) 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 throughout society 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 to further develop a system that responds to the trust of investors, mainly from the Board of Directors, 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.

2) 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) Nominating and Compensation Advisory Committee

The Company has set up the Nominating and Compensation Advisory Committee as a voluntary advisory body for the Board of Directors for the purpose of ensuring appropriateness and transparency of each resolution of the Board of Directors on the process of selecting candidates proposed in a proposal for appointing directors that is submitted to the General Meeting of Shareholders and on allocation of remuneration, etc. for individual directors. The constituent members of the committee include a representative director (one person), a full-time director (one person) , outside director(s) (independent director(s), one person or more), and a full-time audit & supervisory board member (outside audit & supervisory board member, one person). An outside director who is a committee member will assume the office of the chair of committee. The Board of Directors will develop an appropriate governance system to respond to the mandate of shareholders and investors with full respect for the content of reports made by this committee.

iii) 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 the meeting of the Board of Directors, the pre-Board meeting discussion where matters to be resolved at the meeting of the Board of Directors

are confirmed in advance, as well as the management meeting (constituted by the 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.

iv) 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.

v) 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.

vi) 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.

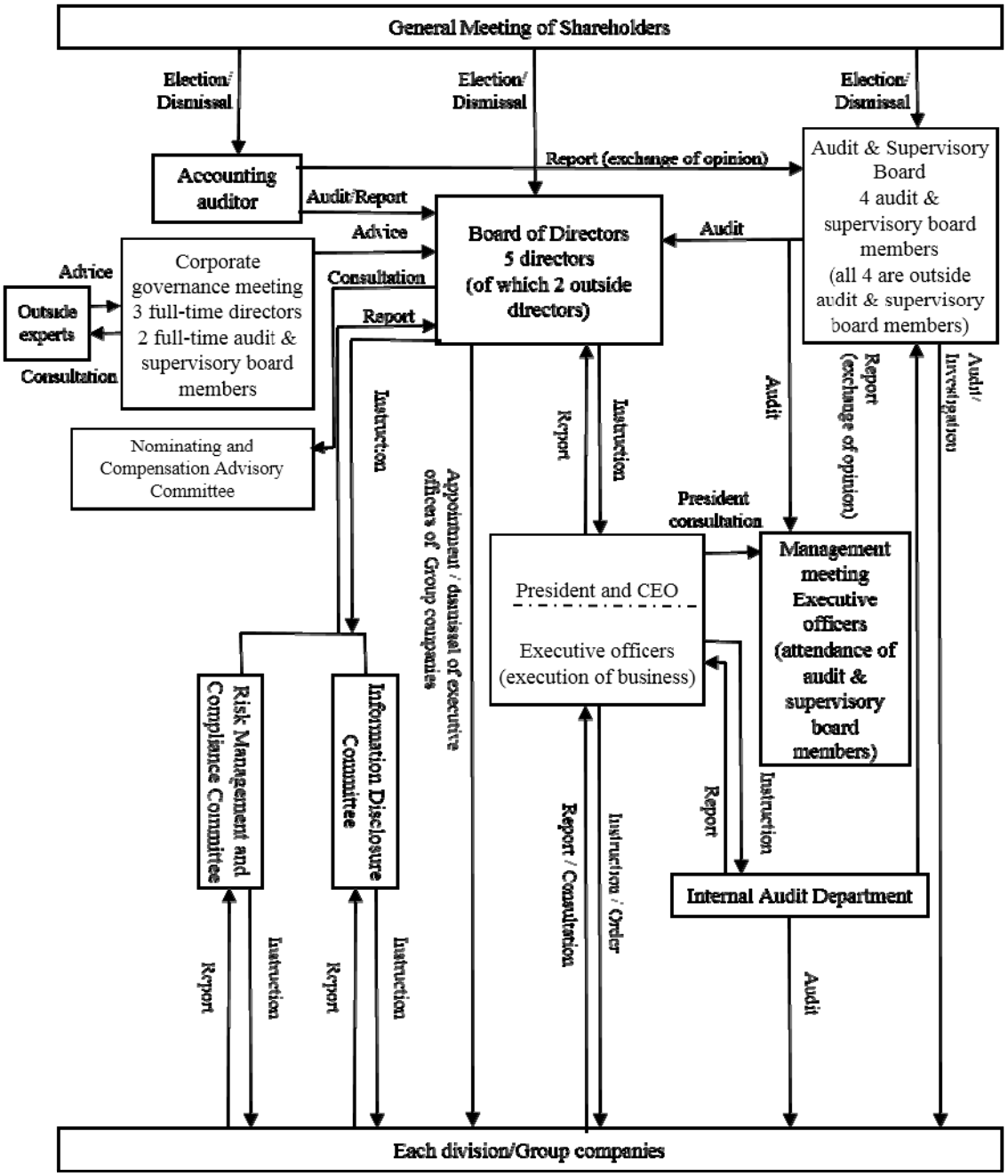
vii) Information disclosure

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.

viii) 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 has established the following basic policies with a partial amendment effective on July 27, 2015 in connection with the enforcement of the Revised Companies Act.

i) Basic policies for compliance with laws and regulations

- Ensure awareness among all officers and employees 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 among all officers and employees regarding the importance of storing and managing information.
- Enhance the measures for preventing the leakage of material information.
- Ensure thorough familiarity with material information and 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 internal reporting 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 appropriate and 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 a full penetration of the understanding of the Company's corporate philosophy and awareness for the compliance among the officers and the employees of each of the Group companies and ensure that each of the Group companies complies with laws and regulations.
- Strive for full awareness, analysis and evaluation of risks that impede the sustenance and continuation of the businesses of each of the Group companies, prepare for contingencies, and establish a system to compel prompt reporting if contingencies occur.
- Formulate a medium-term management plan, business plans for single fiscal year and budgets for the same relating to the entire Group, periodically check the progress of these plans, and compel timely reporting on newly occurring problems and appropriately handle such problems.
- For matters that are important and those for which timely disclosure is required at each of the Group companies, and other matters relating to execution of duties by officers and employees at each of the Group companies, establish a system to compel prompt reporting from each of the Group companies to the Company.
- 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

- Designate members of staff to assist Audit & Supervisory Board Members in their duties, and have them carry out assistance duties under the command of the Audit & Supervisory Board Members.
- Ensure the independence of the aforementioned members of staff from Directors and obtain prior consent from the Audit & Supervisory Board for personnel affairs matters for the said members of staff such as transfers and performance evaluations.
- In addition to deliberations on proposals and reports on important matters at the Board of Directors, have Audit & Supervisory Board Members attend important meetings for business execution, and carry out periodic interviews with Directors and important employees. Furthermore, ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified any material loss and

signs of the same or any breach of regulations or misconduct, and prompt reporting to the same in response to demands from Audit & Supervisory Board Members.

- Establish a system to compel prompt reporting to Audit & Supervisory Board Members from all officers and employees at each of the Group companies who have identified any material loss caused by management at each of the Group companies and signs of the same or any breach of laws and regulations or misconduct, or from officers and employees of the Company who have received reports from such persons, and strive for its full implementation, and also compel prompt reporting if reporting is demanded by Audit & Supervisory Board Members.
- Ensure full notification of policy not to mete out disadvantageous treatment for the reason of a report described in the preceding two paragraphs made by officers and employees of the Company and each of the Group companies to Audit & Supervisory Board Members.
- Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
- When Audit & Supervisory Board Members request advance payments, etc. of expenses, promptly handle the said expenses or debt obligations, except in cases where they are deemed unnecessary for the execution of duties.
- 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.

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

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

*Major meetings cited in the text

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

i) Compliance with laws and regulations, etc.

・Ensure awareness regarding compliance with laws and regulations

As part of the annual business plan, at the beginning of each fiscal year a risk compliance program is drawn up, and trainings in the relevant laws and regulations, measures to cultivate awareness of legal issues (publishing an internal monthly journal, soliciting and displaying compliance slogans etc.) have been implemented, in addition to which a compliance questionnaire is circulated every fiscal year in order to check the level of awareness among all officers and employees of the Group with regard to laws and regulations.

In addition, the Risk Management and Compliance Committee's meeting and a business law liaison meeting attended by heads of business teams of the operational divisions and responsible personnel from each Group company are held every month, during which participants share information about amendments to laws and regulations, etc. relating to businesses and notices from ministries with jurisdiction etc., while the results of deliberations by the Committee are reported to the monthly meetings of the Board of Directors.

We also implemented the same measures for the subsidiaries that joined the Group for the first time this fiscal year.

・Strengthen the checking function for breaches of laws and regulations

As well as monitoring and supervising by two Outside Directors and five Audit & Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors (held twice during the fiscal year under review), and between Audit & Supervisory Board Members and legal advisors (held three times during the fiscal year under review), so as to check for any signs of breaches of laws and regulations by the Directors responsible for executing business.

Moreover, while the Internal Audit Department conducts internal audits of the business executed by the Company and the Group companies and checks for any breach of laws and regulations, the Company has set up a whistle-blowing system providing internal, external and, from the fiscal year under review, Audit & Supervisory Board Member points of contact, further strengthening the structure that is intended to detect breaches of laws and regulations at an early stage.

From the fiscal year under review, we have begun self-inspections at the departmental level to check the state of compliance with relevant laws and regulations, with the results monitored by the Internal Audit Department.

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

At meetings of the Board of Directors, corporate governance meetings, management meetings and meetings of the Risk Management and Compliance Committee, checks are made for signs, or actual occurrences, of breaches of laws and regulations, instructions are given regarding responses, and status reports are made. Also, the Company has prescribed and disseminated rules regarding the establishment of a crisis management office (headed by the President and CEO) and the timely and appropriate information disclosure in the event that such breaches occur.

・Eliminate any association with anti-social forces

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

Following the "Act on Prevention of Transfer of Criminal Proceeds" being amended and coming into effect, we have reviewed our business practices and implemented appropriate responses.

ii) Storing and managing information

・Ensure awareness regarding the importance of storing and managing information

Every fiscal year we implement training for the information asset management, including personal information, and for the prevention of insider trading for all employees of the Company, and by doing so, we have continued to educate and inculcate rules for the handling of important information.

・Enhance the initiatives for preventing the leakage of important information

With regard to the state of compliance with rules for the handling of information assets (printed and

electronic information), in addition to internal audits that cover all departments, we have strengthened the penalties for breaches and introduced targeted guidance for those who infringe.

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

The Information Disclosure Committee meets on a monthly and a temporary basis to understand which information is subject to timely disclosure, and to confirm information disclosed and its methods. In addition, any changes in the rules regarding timely disclosure in connection with amendments of rules and regulations prescribed by the Tokyo Stock Exchange and the Singapore Exchange are reviewed as necessary by the Committee and reported to the monthly meetings of the Board of Directors.

From the fiscal year under review, by making committee members of those responsible for internal control at the major Group companies, we have strengthened our processes for understanding information from each Group company that should be disclosed.

iii) Management of risk of loss

・Ensure thorough understanding, analysis and assessment of risks

As part of the risk compliance program drawn up at the beginning of each fiscal year, an annual plan for risk management is drawn up and implemented.

Additionally, we implement stress tests on a half-yearly basis in relation to the Group's business environment (real estate market conditions, the trend in interest rates and financial institution funding etc.). The results are reported at the Board of Directors' meetings and the growth strategy meetings held twice a year to discuss business strategies going forward (attended by all Executive Officers and heads of each department).

For significant risks relevant to overall operations as well as individual businesses (top 30 risks), in addition to conducting an assessment every fiscal year, new risks that should be added are extracted, and preventive measures and responses in the event of the risk materializing are considered.

From the fiscal year under review, we have started self-inspections of significant risks specific to each department.

・Enhance monitoring of risk management

At monthly corporate governance meetings, full-time Directors report to full-time Audit & Supervisory Board Members regarding latent and fully emerged risks to execution of business at the Company and each Group company.

Furthermore, at the Risk Management and Compliance Committee's meeting, the states of our responses to emerging risks are checked and the detail is reported to the Board of Directors, in addition to which the outcomes of the responses are monitored by the Internal Audit Department, under the guidance of the President and CEO.

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

In order to enable the early detection of, and prompt response to, unexpected situations, business-related troubles and complains, all employees are kept informed through morning briefings, training sessions and meetings, of duty to report to the heads of each division and to the Audit & Supervisory Board Members. Moreover, for heads of each division, in addition to creating a strong obligation for them to report to full-time Directors and Executive Officers in charge of each division, we have also made it known that there is a duty to report to Audit & Supervisory Board Members.

・Promptly react to any occurrence of contingencies and disclose information

In case of occurrence of a contingency that may have significant effects on the operation of the Company, a crisis management office directed by the President and CEO as the head will be established to collect information, confirm facts and circumstance, develop and implement countermeasures, and properly disclose information in a timely manner.

The different types of manuals (Earthquake response, BCP outline, Detailed BCP, Other) that were previously used in relation to natural disasters, which come under the category of unexpected situations, have been integrated into one New Disaster Response Manual, which was created during the fiscal year under review and which will come into use from the next fiscal year.

iv) Efficient execution of duties by Directors

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

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

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

At the beginning of the fiscal year under review, we reconsidered matters to be resolved and matters to be reported to the Board of Directors, as a result of which some matters were made items to be resolved by Directors who execute business, with the aim of enabling fuller deliberation of the more important matters at the Board of Directors.

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

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

With regard to the annual business plans and budgets, we draw up guidelines based on the economic environment in Japan and overseas, the operating environment in the real estate market and the earnings trend for the term in progress, conduct separate discussions with each department and group company, and based on the outcome of which we make our final decisions.

・Establish a system to allow appropriate and efficient execution of business

We have been implementing modifications and alterations in order to realize appropriate and efficient organizations and structures. This is in response to changes in the content of the businesses, the increase in employees associated with the expansion of business, and the increase in the number of group companies, etc.

From the beginning of the fiscal year under review, control of parts of the Accounting Department (previously the Finance & Accounting Department) and the Corporate Planning Department have been transferred. During the fiscal year under review, it was also decided that from next fiscal year the Asset Solution Department 2 will shift from a structure with two businesses to a structure with three businesses.

v) Properness of operations of entire Group

・Ensure compliance with laws and regulations by officers and employees of each Group companies

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

The same compliance questionnaire as the Company is conducted in order to assess the effectiveness of compliance trainings and the degree of awareness, identify issues of each company, and consider responses to such issues.

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

At least one of the Company’s full-time Directors, Audit & Supervisory Board Members, and Executive Officers is assigned as a part-time Officer for each Group company with the remit of monitoring and supervising the Directors and the Board of each company.

Every three months, representative directors of each Group company report management issues, any problems that have emerged and responses to latent risks at the meetings of the Board of Directors of the Company, and at the pre-Board meeting discussions in other months. In addition, those responsible for risk management at each company are required to attend the Risk Management and Compliance Committee's meeting to ensure thorough sharing of information and reporting by each company.

Moreover, the response of these companies to problems that have emerged is continuously monitored by the Company's Internal Audit Department, which may also conduct checks using external agencies as necessary, with the results being reported to the President and CEO of the Company and reported at the Board of Directors' meeting.

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

Based on the medium-term business plan in line with the Group's corporate philosophy, annual business plans and budgets are prepared toward the achievement of such plan.

With regard to the annual business plans and budgets, we draw up guidelines based on the environment for the business of each group company and on the earnings trend for the term in progress, then make decisions based on separate discussions with each group company.

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

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

In addition to monthly reports at the meetings of the Board of Directors and the Risk Management and Compliance Committee of the Company, full-time Directors, Audit & Supervisory Board Members, executive officers who serve concurrently as officers of Group companies report to the President and CEO of the Company as necessary.

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

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

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

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

・Eliminate wrongful acts and/or irregular transactions using the Group

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

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

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

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

・Ensure the independence of the aforementioned members of staff from Directors

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

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

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

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

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

At morning briefings and training sessions, all officers and employees of the Group are informed that those who identify any breach of laws and regulations or misconduct have a duty to report Audit & Supervisory Board Members of the Company promptly.

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

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

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

The Company established a whistle-blowing system that provides internal contact point that leads to the chairman of the Risk management and Compliance Committee of the Company, the contact point that leads to full-time Audit & Supervisory Board Members of the Company and external contact point that leads to a third party organization where anonymity of the whistle-blower is preserved. All officers and employees of the Group are provided with a pocket-size card on which the contact points of the whistle-blowing system are listed, and are informed of the system through various training sessions relating to risk management and compliance, morning briefings, and the publication of internal notice, etc.

Reports to the internal and external contact points, if any, are promptly reported to Audit & Supervisory Board Members, and when no whistle-blowing has occurred, this fact is reported on a monthly basis.

・Expenses associated with execution of duties of Audit & Supervisory Board Members

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

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

At the Board of Directors' meeting subsequent to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. At the Board of Directors' meeting once every three months, Directors report the status of their responses to the issues raised by full-time Audit & Supervisory Board Members in the monthly audit reports as well as the issues pointed

out and matters requested to be considered in the quarterly meetings in which the audit corporation explains its audit result to the Directors.

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

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

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

(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 with 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 Sakashita Takayuki	Shinsoh Audit Corporation	(Note)
Designated and Engagement Partner Atushi Iijima	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:	6 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.

With regard to the nomination of Outside Directors, the Company elects persons who can oversee the management from an independent and objective standpoint and be expected to provide

constructive advice and recommendations to Directors concurrently serving as Executive Officers. In nominating Outside Audit & Supervisory Board Members, the Company elects persons who can be deemed to audit the operation of the Board of Directors and execution of duties of Directors from an independent standpoint, and who are expected to provide constructive advice and recommendations for the increase of corporate value with their knowledge.

Standards for independence provided by the Company are as follows:

(i) He/she has not been an officer/employee of the Group in the past 10 years;

(ii) He/she is not or was not an employee of any business partner whose value of transaction with the Group accounts for 2% or more of the Company's consolidated sales (except for a former employee with respect to whom three years or more have passed since he/she ceased to belong to such business partner);

(iii) He/she is not a major shareholder of the Company (holding 10% or more of the total voting rights) or a person who executes its business;

(iv) He/she is not a person with respect to whom the Group holds 10% or more of the total voting rights or a person who executes its business;

(v) He/she is not an attorney, accountant, etc. who receives remuneration of ¥10 million or more per annum from the Group other than remuneration for officers; and

(vi) There are otherwise no circumstances with respect to him/her that may cause doubt as to the independence in executing duties as Independent Outside Director.

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

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

Full-time outside audit & supervisory board member Hiroshi Nishinakama 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. Hiroshi Nishinakama was an employee of The Bank of Tokyo-Mitsubishi UFJ, Ltd., with which the Company has transactions, until 2007, and an employee of ORIX Corporation, with which the Company has transactions, until February 2015. 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.

3) Establishment of risk management structure

To achieve centralized and cross-sectional risk management and compliance promotion of the Group, the Company integrated the Risk Management Committee and the Compliance Committee into the Risk Management and Compliance Committee in December 2015. This committee examines the company-wide policy, annual plan and other matters for risk management and compliance and assesses the status of risk management and compliance of each group company.

4) 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 (Person)
		Basic remuneration	Share options	Bonus	
Directors (excluding outside directors)	150,066	122,520	3,042	24,504	3
Audit & supervisory board members (excluding outside audit & supervisory board members)	—	—	—	—	—
Outside officers	44,085	43,680	405	—	7

(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

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

5) Status of shareholding

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

Number of issues 2 issues
Total carrying amount ¥47,200 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

6) 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.

7) 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.

8) 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.

9) 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

1) Audit fees paid to certified public accountants, etc.

Classification	Fiscal year ended Nov. 30, 2015		Fiscal year ended Nov. 30, 2016	
	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	–	31,000	–
Consolidated subsidiaries	3,000	–	5,000	–
Total	34,000	–	36,000	–

2) Other important fees

Fiscal year ended November 30, 2015

None

Fiscal year ended November 30, 2016

None

3) Non-audit services to filing company

Fiscal year ended November 30, 2015

None

Fiscal year ended November 30, 2016

None

4) 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. Hereinafter referred to as the "Ordinance on Financial Statements, etc.").

The Company falls under the category of companies allowed to file specified financial statements and prepares financial statements pursuant to Article 127 of the Ordinance on Financial Statements, etc.

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, 2016 (from December 1, 2015 to November 30, 2016) and the non-consolidated financial statements for the fiscal year ended November 30, 2016 (from December 1, 2015 to November 30, 2016) 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

1) Consolidated statements of financial position

(¥ thousand)

	Note	As of November 30, 2015	As of November 30, 2016
Assets			
Current assets			
Cash and cash equivalents	7	18,791,081	21,640,866
Trade and other receivables	9	2,914,639	3,531,880
Inventories	10	46,156,041	67,298,309
Other current assets	11	27,010	121,444
Total current assets		67,888,773	92,592,501
Non-current assets			
Property, plant and equipment	12	3,315,747	3,595,898
Investment properties	13	18,785,986	21,728,740
Intangible assets	14	96,648	96,612
Available-for-sale financial assets	8	1,225,047	1,441,167
Trade and other receivables	9	1,098,687	1,235,065
Deferred tax assets	15	781,146	557,392
Other non-current assets	11	4,014	28,914
Total non-current assets		25,307,278	28,683,790
Total assets		93,196,052	121,276,292
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	2,734,006	2,955,289
Borrowings	17	9,492,795	9,387,249
Current income tax liabilities	15	1,150,089	1,859,183
Provisions	18	442,303	450,030
Total current liabilities		13,819,195	14,651,752
Non-current liabilities			
Trade and other payables	16	3,510,413	4,349,965
Borrowings	17	39,175,846	60,772,064
Retirement benefits obligations	19	383,312	413,376
Provisions	18	78,905	79,049
Total non-current liabilities		43,148,478	65,614,455
Total Liabilities		56,967,673	80,266,208
Equity			
Share capital	20	6,421,392	6,421,392
Capital reserves	20	6,373,881	6,418,823
Retained earnings		23,327,875	28,120,304
Other components of equity	20	105,228	49,562
Total equity attributable to owners of parent		36,228,378	41,010,083
Total equity		36,228,378	41,010,083
Total liabilities and equity		93,196,052	121,276,292

2) Consolidated statements of comprehensive income

(¥ thousand)

	Note	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Revenue	22	43,006,964	49,818,113
Cost of revenue	23	31,091,794	33,468,138
Gross profit		11,915,169	16,349,974
Selling, general and administrative expenses	24, 25	5,099,064	7,021,724
Other income	26	126,357	222,197
Other expenses	27	50,499	270,540
Operating profit		6,891,963	9,279,906
Finance income	28	22,840	63,062
Finance costs	28	874,493	892,920
Profit before tax		6,040,311	8,450,048
Income tax expense	15	1,904,494	2,902,579
Profit for the year		4,135,816	5,547,469
Other comprehensive income			
Items that will not be reclassified to net profit or loss			
Remeasurements of defined benefit pension plans	29	(5,006)	17,503
Total items that will not be reclassified to net profit or loss		(5,006)	17,503
Items that may be reclassified to net profit or loss			
Exchange differences on translation of foreign operations	29	(14,420)	(24,512)
Net change in fair values of available-for-sale financial assets	29	(28,020)	(31,465)
Net change in fair values of cash flow hedges	29	(6,982)	312
Total items that may be reclassified to net profit or loss		(49,423)	(55,665)
Other comprehensive income for the period, net of tax		(54,430)	(38,162)
Total comprehensive income for the year		4,081,386	5,509,307
Profit attributable to:			
Owners of parent		4,135,816	5,547,469
Total comprehensive income attributable to:			
Owners of parent		4,081,386	5,509,307
Profit for the year attributable to owners of parent			
Basic earnings per share (¥)	30	85.66	114.89
Diluted earnings per share (¥)	30	–	–

c. Consolidated statements of changes in equity

Fiscal year ended November 30, 2015 (Dec. 1, 2014– Nov. 30, 2015)

(¥ 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, 2014		6,421,392	6,375,317	19,776,474	154,652	32,727,836	32,727,836
Profit for the year		–	–	4,135,816	—	4,135,816	4,135,816
Other comprehensive income		–	–	—	(54,430)	(54,430)	(54,430)
Total comprehensive income for the year		–	–	4,135,816	(54,430)	4,081,386	4,081,386
Amount of transactions with owners							
Dividends of surplus	21	–	–	(579,408)	—	(579,408)	(579,408)
Share-based payment	35	–	(1,435)	—	—	(1,435)	(1,435)
Transfer from other components of equity to retained earnings		–	–	(5,006)	5,006	–	–
Balance as of November 30, 2015		6,421,392	6,373,881	23,327,875	105,228	36,228,378	36,228,378

Fiscal year ended November 30, 2016 (Dec. 1, 2015– Nov. 30, 2016)

(¥ 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, 2015		6,421,392	6,373,881	23,327,875	105,228	36,228,378	36,228,378
Profit for the year		—	—	5,547,469	—	5,547,469	5,547,469
Other comprehensive income		—	—	—	(38,162)	(38,162)	(38,162)
Total comprehensive income for the year		—	—	5,547,469	(38,162)	5,509,307	5,509,307
Amount of transactions with owners							
Dividends of surplus	21	—	—	(772,544)	—	(772,544)	(772,544)
Share-based payment	35	—	44,941	—	—	44,941	44,941
Transfer from other components of equity to retained earnings		—	—	17,503	(17,503)	—	—
Balance as of November 30, 2016		6,421,392	6,418,823	28,120,304	49,562	41,010,083	41,010,083

d. Consolidated statements of cash flows

(¥ thousand)

	Note	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Cash flows from operating activities			
Profit before tax		6,040,311	8,450,048
Depreciation expense		222,440	333,415
Increase (decrease) in provisions and retirement benefits obligations		(164,709)	43,168
Interest and dividends income		(22,840)	(63,062)
Interest expenses		874,493	892,920
Loss on retirement of property, plant and equipment		2,372	7,711
Decrease (increase) in trade and other receivables		(1,097,514)	944,245
Decrease (increase) in inventories		(8,845,226)	(15,971,161)
Increase (decrease) in trade and other payables		930,567	235,008
Other, net		(28,424)	(110,587)
Subtotal		(2,088,530)	(5,238,293)
Interest and dividends income received		22,832	63,063
Income taxes paid		(2,377,395)	(2,297,257)
Net cash from (used in) operating activities		(4,443,093)	(7,472,487)
Cash flows from investing activities			
Payments into time deposits		(100,000)	(45,000)
Proceeds from withdrawal of time deposits		240,000	30,000
Purchase of property, plant and equipment		(71,303)	(54,277)
Purchase of investment properties		(750,033)	(1,743,387)
Purchase of intangible assets		(37,610)	(27,711)
Purchase of available-for-sale financial assets		(5,020)	(321,636)
Collection of available-for-sale financial assets		757,951	124,918
Proceeds from sales of available-for-sale financial assets		444,960	34,680
Payments of loans receivable		—	(2,935,000)
Collection of loans receivable		64	72
Purchase of investments in subsidiaries resulting in change in scope of consolidation		—	(3,297,173)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation		—	40,563
Other, net		2,596	132
Net cash from (used in) investing activities		481,605	(8,193,818)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		(95,000)	1,652,800
Proceeds from non-current borrowings		31,627,000	42,442,800
Repayments of non-current borrowings		(23,273,064)	(23,866,891)
Cash dividends paid		(578,436)	(771,761)
Interest expenses paid		(1,015,655)	(926,467)
Other, net		(3,745)	(7,983)
Net cash from (used in) financing activities		6,661,097	18,522,496
Net increase (decrease) in cash and cash equivalents		2,699,610	2,856,190
Cash and cash equivalents at beginning of year	7	16,100,795	18,791,081
Effect of exchange rate change on cash and cash equivalents		(9,323)	(6,404)
Cash and cash equivalents at end of year	7	18,791,081	21,640,866

[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 five business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business and Property Management 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 "Designated International Financial Reporting Standards 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 22, 2017.

(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 that the Group controls. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. If the considerations transferred are greater than the fair value of identifiable assets acquired and liabilities assumed, then goodwill will be measured, if lower, negative goodwill will be measured. The measured goodwill or negative goodwill is promptly recognized in profit or loss.

(2) Foreign currency translation

1) 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.

2) 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 an 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.

1) 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.

2) 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

1) Defined benefit pension plans

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

2) 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.

3) 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.

(21) Share-based compensation

The Company employs a stock option system as an equity-settled share-based compensation system. Stock options, which are estimated at fair value as of the grant date, are recognized as expenses in the consolidated statements of comprehensive income over the vesting period with the number of stock options that are expected to be eventually vested taken into account, and the same amount is recognized as an increase in equity in the consolidated statement of financial position.

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)
- Measurement of the fair value of financial instruments (Note 31)
- Share-based compensation (Note 35)
- Measurement of the fair value of assets acquired or liabilities assumed arising from contingencies in business combinations (Note 36)

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 7	Statements of cash flows	Jan. 1, 2017	Fiscal year ending Nov. 30, 2018	Explanation about changes in liabilities arising from financing activities
IAS 40	Investment properties	Jan. 1, 2018	Fiscal year ending Nov. 30, 2019	Clarification of requirements for transfers to, or from, investment properties
IFRS 9	Financial Instruments	Jan. 1, 2018	Fiscal year ending Nov. 30, 2019	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	Jan. 1, 2018	Fiscal year ending Nov. 30, 2019	Accounting for and disclosure of revenue recognition for contracts with customers
IFRS 16	Lease	Jan. 1, 2019	Fiscal year ending Nov. 30, 2020	Replacement of IAS 17 with IFRS 16 regarding lease accounting

6. 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 five business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", and "Property Management 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 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.

The Tosei Group has made changes to its reportable segments, reducing the number of such segments from six up through the end of the previous fiscal year to five as of the first quarter of the fiscal year ending November 30, 2016. Accordingly, the reportable segments are now: the Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, and Property Management Business segments.

With this change, transactions formerly classified as being associated with the Alternative Investment Business segment, based on the point of view that they involved acquisition of real estate arising from purchases of real estate collateralized loans, M&As of real estate-owning companies and other alternative means of investment, are now classified as being associated with either the Revitalization Business, Rental Business, Fund and Consulting Business, or Other, depending on the nature of the revenue derived from the respective transaction. The "Other" category includes business involving sports club facilities.

(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:

Segment information for the fiscal year ended November 30, 2015 has been prepared in accordance with the new reportable segment classifications.

Fiscal year ended November 30, 2015
(December 1, 2014 – November 30, 2015)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	25,986,125	6,605,956	4,211,591	2,439,354	3,069,740	694,195	—	43,006,964
Intersegment revenue	—	—	50,508	4,726	504,491	—	(559,726)	—
Total	25,986,125	6,605,956	4,262,100	2,444,081	3,574,232	694,195	(559,726)	43,006,964
Segment profit	4,174,428	534,965	1,797,180	1,464,587	146,925	178,153	(1,404,277)	6,891,963
Finance income/costs, net								(851,652)
Profit before tax								6,040,311
Other items								
Depreciation expense	—	—	151,636	4,652	14,974	4,816	46,360	222,440

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

(1) Adjustment of segment profit of ¥(1,404,277) thousand includes eliminations of intersegment transactions of ¥(12,409) thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(1,391,868) 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 ¥46,360 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.

Fiscal year ended November 30, 2016
(December 1, 2015 – November 30, 2016)

(¥ thousand)

	Reportable Segments					Other	Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business			
Revenue								
Revenue from external customers	25,809,872	13,138,715	5,282,131	2,302,732	2,944,458	340,203	—	49,818,113
Intersegment revenue	—	—	42,057	27,242	1,061,175	1,376	(1,131,851)	—
Total	25,809,872	13,138,715	5,324,188	2,329,975	4,005,633	341,579	(1,131,851)	49,818,113
Segment profit or loss	4,001,446	3,674,377	2,389,804	951,468	141,274	(17,904)	(1,860,559)	9,279,906
Finance income/costs, net								(829,858)
Profit before tax								8,450,048
Other items								
Depreciation expense	—	5,824	235,300	17,813	22,252	6,684	45,541	333,415

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

(1) Adjustment of segment profit of ¥(1,860,559) thousand includes eliminations of intersegment transactions of ¥(134,259) thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(1,726,300) 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 ¥45,541 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

Fiscal year ended November 30, 2015
(December 1, 2014 – November 30, 2015)

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	10,791,865	Revitalization Business, Fund and Consulting Business, Property Management Business

Fiscal year ended November 30, 2016
(December 1, 2015 – November 30, 2016)

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	7,342,359	Revitalization Business, Fund and Consulting Business, Property Management Business

7. Cash and cash equivalents

Components of cash and cash equivalents are as follows:

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Cash and deposits	18,081,081	21,620,866
Short-term deposits	710,000	20,000
Total	18,791,081	21,640,866

8. Available-for-sale financial assets

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

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Shares	1,200	60,624
Bonds	—	51,505
Investment trust beneficiary certificate	1,097,963	1,298,216
Investments in silent partnership	78,534	—
Other	47,348	30,821
Total	1,225,047	1,441,167

Non-current assets	1,225,047	1,441,167

9. Trade and other receivables

Components of trade and other receivables are as follows:

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Trade notes and accounts receivable	610,529	720,042
Short-term loans receivable	72	1,675,075
Other accounts receivable	1,550,456	384,608
Current advances to suppliers	271,785	295,209
Deposits and guarantee money	1,087,122	1,210,974
Claims provable in bankruptcy, claims provable in rehabilitation and other	25,946	13,318
Other	494,587	482,040
Allowance for credit losses	(27,174)	(14,321)
Total	4,013,327	4,766,946

Current assets	2,914,639	3,531,880
Non-current assets	1,098,687	1,235,065

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, 2015	As of November 30, 2016
Real estate for sale	36,760,659	54,482,121
Real estate for sale in process	9,395,382	12,816,187
Total	46,156,041	67,298,309
Inventories scheduled to be sold after 12 months	21,036,559	26,115,361

Inventories recognized as expenses in the previous fiscal year and the fiscal year under review were ¥26,026,890 thousand and ¥28,335,684 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 ¥1,658,159 thousand and ¥2,903,079 thousand, respectively.

Of the Group's inventory balance, ¥41,585,649 thousand and ¥64,902,608 thousand were pledged as collateral on borrowings as of November 30, 2015 and 2016, 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 ¥97,252 thousand and ¥102,690 thousand, respectively.

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

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Loss on valuation	(71,551)	(92,487)

11. Other assets

Components of other assets are as follows:

	As of November 30, 2015	As of November 30, 2016
Supplies	7,010	6,444
Membership	4,014	28,914
Other	20,000	115,000
Total	31,025	150,358

Current assets	27,010	121,444
Non-current assets	4,014	28,914

Of the Group's "others" in other assets, ¥45,000 thousand was pledged as collateral on trade and other payables as of November 30, 2016.

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, 2014	1,212,577	2,219,719	169,499	3,601,795
Acquisition	21,007	—	60,057	81,064
Sales or disposal	(289)	—	(49,987)	(50,276)
Balance as of November 30, 2015	1,233,295	2,219,719	179,569	3,632,583
Acquisition	15,138	—	67,008	82,147
New consolidation	154,011	185,346	61,739	401,097
Sales or disposal	(2,475)	—	(44,830)	(47,306)
Balance as of November 30, 2016	1,399,970	2,405,065	263,486	4,068,522
Accumulated depreciation and impairment loss				
Balance as of December 1, 2014	188,911	—	119,576	308,487
Depreciation expense	25,444	—	24,799	50,244
Sales or disposal	(179)	—	(41,717)	(41,896)
Balance as of November 30, 2015	214,177	—	102,658	316,836
Depreciation expense	39,788	—	33,621	73,409
New consolidation	82,000	—	41,280	123,281
Sales or disposal	(9,519)	—	(31,383)	(40,903)
Balance as of November 30, 2016	326,446	—	146,177	472,623
Carrying amount				
As of December 1, 2014	1,023,665	2,219,719	49,923	3,293,308
As of November 30, 2015	1,019,118	2,219,719	76,910	3,315,747
As of November 30, 2016	1,073,524	2,405,065	117,308	3,595,898

The carrying amounts of leased assets under finance leases as of November 30, 2015 and 2016 were ¥11,911 thousand and ¥31,811 thousand, respectively.

Of the balance of the Group's property, plant and equipment as of November 30, 2015 and 2016, ¥3,216,552 thousand and ¥3,452,559 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)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Acquisition cost		
Balance at beginning of period	14,955,926	19,953,882
Acquisition	750,033	1,743,387
Transfer	4,247,922	1,388,992
Balance at end of period	19,953,882	23,086,262
Accumulated depreciation and impairment loss		
Balance at beginning of period	1,097,597	1,167,895
Depreciation expense	149,206	233,774
Transfer	(78,908)	(44,147)
Balance at end of period	1,167,895	1,357,522
Carrying amount at end of period	18,785,986	21,728,740

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, 2015 and 2016, ¥17,703,593 thousand and ¥20,593,093 thousand were pledged as collateral on loans payable, respectively.

(2) Fair value

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Fair value	28,976,118	36,967,640
Rent income from investment properties	1,760,457	2,631,774
Direct expenses incidental to rent income	597,586	982,484

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, 2014	238,331	2,518	240,849
Acquisition	41,963	—	41,963
Sales or disposal	(2,050)	—	(2,050)
Balance as of November 30, 2015	278,244	2,518	280,762
Acquisition	27,711	—	27,711
Sales or disposal	(126,917)	—	(126,917)
Balance as of November 30, 2016	179,038	2,518	181,556
Accumulated amortization and accumulated impairment loss			
Balance as of December 1, 2014	163,174	—	163,174
Amortization expense	22,989	—	22,989
Sales or disposal	(2,050)	—	(2,050)
Balance as of November 30, 2015	184,113	—	184,113
Amortization expense	26,231	—	26,231
Sales or disposal	(125,401)	—	(125,401)
Balance as of November 30, 2016	84,943	—	84,943
Carrying amount			
As of December 1, 2014	75,157	2,518	77,675
As of November 30, 2015	94,130	2,518	96,648
As of November 30, 2016	94,094	2,518	96,612

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, 2015 (December 1, 2014 – November 30, 2015)

(¥ thousand)

	As of December 1, 2014	Recognized through profit or loss	Recognized in other comprehensive income	As of November 30, 2015
Deferred tax assets				
Accrued enterprise taxes, currently not deductible	98,870	4,173	—	103,044
Estimated expenses, currently not deductible	54,950	(54,950)	—	—
Provision for loss on rental business	–	46,696	—	46,696
Unrealized gain from substitute performance	154,692	(2,946)	—	151,745
Provision for bonuses	93,539	4,626	—	98,165
Liability for retirement benefits to employees	116,083	8,378	—	124,462
Liability for retirement benefits to key management personnel	132,606	(125,823)	—	6,783
Long-term accounts payable-other for directors	—	116,365	—	116,365
Impairment loss	56,775	(6,124)	—	50,650
Revaluation of fair value arising from assets and liabilities of subsidiaries	46,837	—	—	46,837
Carry-forward of unused tax losses	150,456	(50,111)	—	100,345
Other	101,324	4,767	—	106,091
Subtotal	1,006,136	(54,949)	—	951,187
Valuation reserves	(421,345)	294,632	—	(126,712)
Total	584,791	239,683	—	824,474
Deferred tax liabilities				
Valuation difference on available-for-sale securities	(65,888)	—	22,559	(43,328)
Other	(3,137)	3,137	—	—
Total	(69,025)	3,137	22,559	(43,328)
Deferred tax assets, net	515,765	242,821	22,559	781,146

Fiscal year ended November 30, 2016 (December 1, 2015 – November 30, 2016)

(¥ thousand)

	As of December 1, 2015	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	As of November 30, 2016
Deferred tax assets					
Accrued enterprise taxes, currently not deductible	103,044	8,705	—	12,672	124,422
Estimated expenses, currently not deductible	—	17,226	—	—	17,226
Provision for loss on rental business	46,696	(46,696)	—	—	—
Unrealized gain from substitute performance	151,745	(2,360)	—	—	149,385
Provision for bonuses	98,165	44,849	—	—	143,015
Liability for retirement benefits to employees	124,462	6,756	—	—	131,219
Liability for retirement benefits to key management personnel	6,783	1,127	—	—	7,910
Long-term accounts payable-other for directors	116,365	(5,915)	—	36,840	147,289
Impairment loss	50,650	(40,300)	—	42,690	53,041
Revaluation of fair value arising from assets and liabilities of subsidiaries	46,837	70,889	—	60,215	177,941
Carry-forward of unused tax losses	100,345	(93,376)	—	49,256	56,225
Other	106,091	(38,552)	(914)	15,601	82,225
Subtotal	951,187	(77,646)	(914)	217,276	1,089,903
Valuation reserves	(126,712)	63,854	—	(68,494)	(131,352)
Total	824,474	(13,792)	(914)	148,782	958,550
Deferred tax liabilities					
Valuation difference on available-for-sale securities	(43,328)	—	17,018	1,334	(24,975)
Revaluation of fair value arising from assets and liabilities of subsidiaries	—	(376,182)	—	—	(376,182)
Total	(43,328)	(376,182)	17,018	1,334	(401,158)
Deferred tax assets, net	781,146	(389,975)	16,104	150,117	557,392

Note: The number of "Others" includes recognized deferred tax assets by acquisition of subsidiaries through business combinations.

In recognizing deferred tax assets, the Group takes into account the possibility that deductible temporary differences or carry-forward of 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 carry-forward of unused tax losses. The amounts of deductible temporary differences and deferred tax assets (after tax effected) have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Deductible temporary differences	88,288	118,756
Carry-forward of unused tax losses	38,424	12,596
Total	126,712	131,352

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

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
First year	–	–
Second year	–	–
Third year	–	–
Fourth year	–	–
Fifth year or after	108,666	36,185
Total	108,666	36,185

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 ¥2,350,460 thousand and ¥3,593,875 thousand as of November 30, 2015 and 2016, respectively.

(2) Income tax expense

In the previous fiscal year and the fiscal year under review, major income taxes imposed on the Company were corporate tax, inhabitant tax and office tax, and the resulting statutory effective tax rate was 35.64% and 33.06%, respectively. For temporary differences expected to be reversed from the fiscal year beginning December 1, 2016, to fiscal year ending November 30, 2018 the statutory effective tax rate is 30.86%. For temporary differences expected to be reversed in and after the fiscal year beginning December 1, 2018, the statutory effective tax rate for the calculation of deferred tax assets and liabilities is 30.62%. However, overseas subsidiaries are subject to corporate tax and other taxes applicable in their location.

Components of current and deferred tax expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Current tax expense		
Current tax expense on profit for the year	2,139,365	2,815,976
Total current tax expense	2,139,365	2,815,976
Deferred tax expense		
Origination and reversal of temporary differences	(277,554)	51,551
Differences due to changes in tax rates	42,684	35,051
Total deferred tax expense	(234,870)	86,603
Income tax expense	1,904,494	2,902,579

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 35.64% and 33.06% in the previous fiscal year and the fiscal year under review, respectively, were applied.

¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Profit before tax	6,040,311	8,450,048
Income tax expense based on the statutory effective tax rate	2,152,766	2,793,586
Adjustments		
Expenses not deductible permanently	8,808	18,803
Changes in temporary differences, etc. for which deferred tax assets were not recognized	(293,845)	37,069
Differences due to changes in tax rates	42,684	35,051
Differences in tax rates of subsidiary companies	9,274	24,341
Tax exemption	(12,199)	(19,778)
Other	(2,995)	13,505
Income tax expense	1,904,494	2,902,579

16. Trade and other payables

Components of trade and other payables are as follows:

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Trade notes and accounts payable	678,788	695,753
Other accounts payable	415,428	620,502
Advances received	1,205,457	978,374
Guarantee deposits	3,136,522	3,746,701
Other	808,222	1,263,923
Total	6,244,419	7,305,255

Current liabilities	2,734,006	2,955,289
Non-current liabilities	3,510,413	4,349,965

Advances received at the end of the fiscal year under review include secured debts of ¥45,000 thousand. Other assets have been pledged as collateral.

17. Borrowings

Components of borrowings are as follows:

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016	Average interest rate (%)	Repayment due
Current liabilities				
Current borrowings	—	2,045,800	1.60	–
Current portion of non-current borrowings	9,487,831	7,332,999	1.43	–
Lease obligations	4,964	8,449	–	–
Total	9,492,795	9,387,249		
Non-current liabilities				
Non-current borrowings	39,167,833	60,745,830	1.31	2017–2036
Lease obligations	8,013	26,234	–	2017–2025
Total	39,175,846	60,772,064		

Notes: 1. The average interest rate is a weighted-average coupon rate on the balance at the end of the fiscal year under review.

2. Borrowings at the end of the previous fiscal year and the fiscal year under review include secured debts of ¥47,664,665 thousand and ¥68,176,359 thousand, respectively. Inventories, Property, plant and equipment and investment properties have been pledged as collateral.

18. Provisions

Components and changes of provisions are as follows:

Fiscal year ended November 30, 2015 (December 1, 2014 – November 30, 2015)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Provision for loss on rental business	Total
Balance as of December 1, 2014	243,272	24,008	78,764	—	346,045
Increase during the fiscal year	278,359	—	—	141,248	419,607
Decrease during the fiscal year (specific purposes)	(243,272)	—	—	—	(243,272)
Decrease during the fiscal year (reversal)	—	(1,312)	—	—	(1,312)
Discounted interest costs	—	—	141	—	141
Balance as of November 30, 2015	278,359	22,695	78,905	141,248	521,208

Fiscal year ended November 30, 2016 (December 1, 2015 – November 30, 2016)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Provision for loss on rental business	Provision for warranties for completed construction	Total
Balance as of December 1, 2015	278,359	22,695	78,905	141,248	—	521,208
Increase during the fiscal year	415,238	10,295	—	—	1,800	427,334
Decrease during the fiscal year (specific purposes)	(278,359)	—	—	(141,248)	—	(419,607)
Discounted interest costs	—	—	144	—	—	144
Balance as of November 30, 2016	415,238	32,991	79,049	—	1,800	529,079

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Current liabilities	442,303	450,030
Non-current liabilities	78,905	79,049

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, 2015	As of November 30, 2016
Liability for retirement benefits to employees	364,128	390,505
Liability for retirement benefits to key management personnel	19,184	22,870
Total	383,312	413,376

(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. Defined benefit plans are exposed to actuarial risks.

1) Defined benefit plans

Components of Liability for retirement benefits to employees

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Defined benefit obligations (with no plan assets)	364,128	390,505
Defined benefit obligations in the consolidated statement of financial position	364,128	390,505

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

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Current service costs	47,830	66,560
Interest costs	2,947	2,995
Total retirement benefit costs (Note)	50,777	69,555

Note: Retirement benefit costs are recorded in “Selling, general and administrative expenses.”

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

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Balance at beginning of period	326,364	364,128
Current service costs	49,284	59,103
Interest costs	2,947	2,995
Benefits paid	(22,037)	(10,041)
Actuarial gains and losses arising from changes in financial assumptions	7,569	(25,679)
Balance at end of period	364,128	390,505

The weighted average term for the Group's defined benefit obligations in the previous fiscal year and the fiscal year under review is 13.5 years and 10.4 years, respectively.

Major assumptions used in actuarial calculation are as follows:

(%)

	As of November 30, 2015	As of November 30, 2016
Discount rate	0.88	0.41
Rate of salary increase	2.12	3.52

The effects of a change in the discount rate on defined benefit obligations are as follows. This analysis assumes that change factors other than the discount rate are constant.

Negative values represent a decline in defined benefit obligations, while positive values represent an increase in those obligations.

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
0.5% increase in the discount rate	(21,117)	(18,690)
0.5% decrease in the discount rate	23,110	20,225

2) Defined contribution plans

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

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Contributions	11,588	25,770

(2) Retirement benefits to key management personnel

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Balance at beginning of period	371,315	19,184
Provision for the benefits	8,579	4,003
Payment of the benefits	—	(316)
Reversal of provision due to abolition of the plan	(360,711)	—
Balance at end of period	19,184	22,870

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.

At the Ordinary General Meeting of Shareholders held on February 25, 2015, the Company resolved to make final payments of retirement benefits to retiring officers upon abolition of its Retirement Benefits Plan for Officers. The full amount of the Company's "Provision for directors' retirement benefits" has been reversed and an unpaid portion of ¥360,711 thousand in final payments has been presented included in "Trade and other payables" in non-current liabilities.

In addition, "Trade and other payables" includes certain consolidated subsidiaries' unpaid portion of ¥100,000 thousand in final payments of retirement benefits to key management personnel which is not described above.

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, 2014	150,000,000	48,284,000	6,421,392	6,375,317
Change	–	–	–	(1,435)
Balance as of November 30, 2015	150,000,000	48,284,000	6,421,392	6,373,881
Change	–	–	–	44,941
Balance as of November 30, 2016	150,000,000	48,284,000	6,421,392	6,418,823

Notes: 1. Shares issued by the Company are ordinary shares without par value.
2. Issued shares are fully paid up.
3. Capital reserves are mainly consisted of legal capital surplus.

(2) Other components of equity

Fiscal year ended November 30, 2015 (December. 1, 2014 – November 30, 2015)

(¥ 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, 2014	37,614	118,983	(1,945)	154,652
Other comprehensive income	(14,420)	(28,020)	(6,982)	(49,423)
Balance as of November 30, 2015	23,194	90,962	(8,928)	105,228

Fiscal year ended November 30, 2016 (December. 1, 2015 – November 30, 2016)

(¥ 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, 2015	23,194	90,962	(8,928)	105,228
Other comprehensive income	(24,512)	(31,465)	312	(55,665)
Balance as of November 30, 2016	(1,318)	59,496	(8,616)	49,562

1) Exchange differences on translation of foreign operations

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

2) 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.

3) 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, 2015 (December 1, 2014 – November 30, 2015)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 25, 2015	12	579,408	Nov. 30, 2014	Feb. 26, 2015

Fiscal year ended November 30, 2016 (December 1, 2015 – November 30, 2016)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 25, 2016	16	772,544	Nov. 30, 2015	Feb. 26, 2016

(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, 2016 (December 1, 2015 – November 30, 2016)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 24, 2017	22	1,062,248	Nov. 30, 2016	Feb. 27, 2017

22. Revenue

Components of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Revenue from real estate for sale	32,592,081	38,948,587
Revenue from services	10,414,882	10,869,525
Total	43,006,964	49,818,113

23. Cost of revenue

Components of cost of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Cost of inventories sold	25,955,339	28,243,197
Depreciation expense	159,647	249,128
Gain or loss on valuation of inventories	71,551	92,487
Outsourcing costs and others	4,905,256	4,883,325
Total	31,091,794	33,468,138

24. Selling, general and administrative expenses

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

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Employee benefits expense	2,786,621	3,538,159
Sales expenses (Revitalization)	583,557	666,633
Sales expenses (Development)	479,618	1,140,167
Advertising expenses	74,147	152,438
Compensations	107,331	120,366
Commission fee	245,169	261,559
Taxes and dues	421,422	665,742
Transportation expenses	69,299	65,598
Communication expenses	44,569	53,129
Stationery expenses	54,629	45,410
Depreciation and amortization expense	62,792	84,286
Provision of allowance for credit losses	(24,021)	(14,209)
Other	193,928	242,441
Total	5,099,064	7,021,724

25. Personnel cost

Components of personnel cost are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Salaries, bonuses and allowances	2,250,508	2,800,265
Retirement benefit costs	71,551	97,857
Legal welfare expenses	297,471	374,003
Expenses for the share-based compensation	596	44,941
Other short-term employee benefits	166,494	221,091
Total	2,786,621	3,538,159

26. Other income

Components of other income are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Gain on negative goodwill	―	145,019
Miscellaneous income	126,357	77,177
Total	126,357	222,197

Notes: The “Gain on negative goodwill” in the fiscal year under review was primarily the result of considerations paid following the acquisition of shares in Urban Home Corporation being lower than the fair value of said company’s identifiable assets acquired and liabilities assumed.

27. Other expenses

Components of other expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Loss on retirement of non-current assets	2,372	7,711
Stock acquisition related expenses	―	240,853
Miscellaneous losses	48,126	21,976
Total	50,499	270,540

Note: "Miscellaneous losses" as of November 30, 2015 and 2016 includes losses on exchange differences on translation of ¥4,860 thousand and ¥8,892 thousand respectively.

28. Finance income/costs

Components of finance income/costs are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Interest income	3,992	3,188
Dividends income	18,848	59,874
Total finance income	22,840	63,062
Interest expenses (Note)	874,493	892,920
Total finance costs	874,493	892,920

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, 2015 and 2016 are ¥195,705 thousand and ¥132,172 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, 2015 (December 1, 2014 – November 30, 2015)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Remeasurements of defined benefit pension plans	(7,569)	―	(7,569)	2,563	(5,006)
Total items that will not be reclassified to net profit or loss	(7,569)	―	(7,569)	2,563	(5,006)
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	(14,420)	―	(14,420)	―	(14,420)
Net change in fair values of available-for-sale financial assets	632,797	(683,388)	(50,591)	22,570	(28,020)
Net change in fair values of cash flow hedges	(11,234)	―	(11,234)	4,251	(6,982)
Total items that may be reclassified to net profit or loss	607,142	(683,388)	(76,245)	26,822	(49,423)
Total	599,572	(683,388)	(83,815)	29,385	(54,430)

Fiscal year ended November 30, 2016 (December 1, 2015 – November 30, 2016)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Remeasurements of defined benefit pension plans	25,679	—	25,679	(8,176)	17,503
Total items that will not be reclassified to net profit or loss	25,679	—	25,679	(8,176)	17,503
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	(24,512)	—	(24,512)	—	(24,512)
Net change in fair values of available-for-sale financial assets	(48,484)	—	(48,484)	17,018	(31,465)
Net change in fair values of cash flow hedges	1,226	—	1,226	(914)	312
Total items that may be reclassified to net profit or loss	(71,770)	—	(71,770)	16,104	(55,665)
Total	(46,090)	—	(46,090)	7,928	(38,162)

30. Earnings per share

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Profit for the year attributable to owners of parent (¥ thousand)	4,135,816	5,547,469
Weighted average number of outstanding ordinary shares (shares)	48,284,000	48,284,000
Basic earnings per share (¥)	85.66	114.89

Notes: 1. Basic earnings per share is calculated by dividing profit for the year attributable to owners of parent, by the weighted average number of outstanding ordinary shares during the reporting period.
2. Information on diluted earnings per share is omitted due to an absence of potential shares.

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, 2015	As of November 30, 2016
Cash and cash equivalents	18,791,081	21,640,866
Interest-bearing debt	48,668,642	70,159,313
Equity	36,228,378	41,010,083

Some of the Company's bank loan contracts include financial covenants with requirements such as the maintenance of a certain level of equity. The Group carries out monitoring to maintain the level required under the said covenants.

(2) Risk management

The Group is exposed to financial risks (exchange risk, interest rate risk, credit risk, liquidity risk and price risks) 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 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, 2015	Fiscal year ended November 30, 2016
Impact on profit before tax	(461,960)	(681,880)

(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.

1) 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, 2015	As of November 30, 2016
Within 3 months' past due	15,637	37,780
Over 3 months and within 6 months' past due	2,138	15,533
Over 6 months' past due	1,045	1,623
Total	18,822	54,937

2) 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, 2015	As of November 30, 2016
Trade and other receivables	28,037	14,111
Allowance for credit losses	(27,199)	(13,964)
Total	838	146

3) 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, 2015	Fiscal year ended November 30, 2016
Balance at beginning of period	52,537	27,174
Amount provided in the fiscal year	6,421	1,815
Decrease during the fiscal year (reversal)	(30,662)	(14,652)
Decrease during the fiscal year (utilization of allowance)	(1,122)	(15)
Balance at end of period	27,174	14,321

(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 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, 2015				
Non-derivative financial liabilities				
Trade and other payables	1,350,786	2,382,860	753,661	4,487,309
Borrowings	9,492,795	33,311,549	5,864,297	48,668,642
Derivative financial liabilities				
Trade and other payables	—	13,180	—	13,180
As of November 30, 2016				
Non-derivative financial liabilities				
Trade and other payables	1,742,110	4,043,288	270,561	6,055,959
Borrowings	9,387,249	53,770,625	7,001,438	70,159,313
Derivative financial liabilities				
Trade and other payables	—	12,031	24,084	36,115

(7) Price risks

The Group is exposed to price risks of financial instruments arising from investments classified as available-for-sale financial assets. These financial instruments are primarily listed securities and investments in privately placed funds. To manage the price risks arising from the said financial instruments, the Company's Accounting Department periodically reports holding amounts of listed securities and investments in privately placed funds to the management meeting.

If the prices of the listed securities were to fluctuate by 10% as of November 30, 2015 and 2016, assuming all other variable factors including tax rates to be fixed, the impact of the fluctuation on total comprehensive income for the year and equity would be ¥74,363 thousand and ¥94,227 thousand, respectively.

(8) Fair value measurement

1) 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, 2015		As of November 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	18,791,081	18,791,081	21,640,866	21,640,866
Available-for-sale financial assets	1,225,047	1,225,047	1,441,167	1,441,167
Trade and other receivables (Note 1)	4,013,327	4,013,327	4,766,946	4,766,946
Trade and other payables (Note 2)	6,244,419	6,244,419	7,305,255	7,305,255
Borrowings	48,668,642	48,696,153	70,159,313	70,207,138

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, 2015 and 2016 are ¥3,260,662 thousand and ¥4,011,785 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, 2015 and 2016 are ¥4,487,309 thousand and ¥6,055,959 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.

2) 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, 2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,097,925	38	127,083	1,225,047
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative) (Note)	—	13,180	—	13,180

(¥ thousand)

	As of November 30, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	1,363,106	38	78,021	1,441,167
Financial liabilities measured at fair value with the change in fair value recognized through other comprehensive income (derivative) (Note)	—	36,115	—	36,115

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 eight 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, 2015	Fiscal year ended November 30, 2016
Balance at beginning of period	942,565	127,083
Acquisition	1,376	91,084
Comprehensive income		
Profit (loss) (Note 1)	27,565	19,481
Other comprehensive income (Note 2)	(86,471)	—
Disposal	(757,951)	(159,626)
Balance at end of period	127,083	78,021

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.

32. Operating leases

1) Lessee

The Group rents offices and residences from 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 under irrevocable operating leases are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Due within 1 year	491,322	507,953
Due over 1 year through 5 years	570,400	1,518,260
Total	1,061,722	2,026,214

Lease payments recognized as expenses under revocable or irrevocable operating lease contracts as of November 30, 2015 and 2016 were ¥456,115 thousand and ¥585,433 thousand respectively.

2) Lessor

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, 2015	Fiscal year ended November 30, 2016
Due within 1 year	154,800	246,604
Due over 1 year through 5 years	81,656	302,708
Over 5 years	15,424	178,384
Total	251,881	727,697

33. Related parties

(1) Transactions with related parties

The Group conducts transactions with key management personnel as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Trade and other receivables	293	267
Trade and other payables	78	—
Revenue	—	2,460
Selling, general and administrative expenses	2,539	2,872
Total	2,911	5,599

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, 2015	Fiscal year ended November 30, 2016
Short-term employee benefits	319,069	346,057
Retirement benefits	8,579	4,002
Total	327,649	350,059

34. Structured entities

The Company and certain consolidated subsidiaries are involved with structured entities whose purpose is to invest in real estate, through investments, asset management service, etc., and these structured entities are not consolidated.

The balance of assets under our management for the unconsolidated structured entities in the fiscal year ended November 30, 2015 and the fiscal year ended November 30, 2016 is ¥300,643,218 thousand and ¥287,924,357 thousand, respectively, while fees received from these entities in the fiscal year ended November 30, 2015 and the fiscal year ended November 30, 2016 are ¥2,005,413 thousand and ¥1,426,285 thousand, respectively.

These structured entities procure funds principally via real estate non-recourse loans.

The carrying amounts of assets recognized in the consolidated statement of financial position in association with the involvement with the unconsolidated structured entities are as follows. These carrying amounts are the maximum exposure.

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Trade and other receivables	265,939	359,875
Available-for-sale financial assets	105,693	10,471
Total	371,632	370,347

The maximum exposure is the maximum amount of losses that may arise due to a decline in the value of assets held by the structured entities, and does not represent the amount of losses that are expected from the involvement with these entities.

35. Share-based compensation

(1) Details of the share-based compensation system

The Company employs a stock option system and grants stock options to the Company's directors, executive officers and employees as well as to directors of its consolidated subsidiaries. This system is designed to further increase motivation and morale for improving the Group's business performance and corporate value.
The period during which stock options may be exercised is a period specified in the allotment agreement of stock acquisition rights. Stock options that are not exercised in the period are forfeited. Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company, however, if the grantee retires or resigns from the Company by the vesting date, his or her options are also forfeited, except in cases allowed in the stock acquisition rights allotment agreement such as resignation due to the expiration of the grantee's term of office.
Stock options under the Company's share-based compensation system are accounted for as equity-settled share-based compensation. Expenses for the equity-settled share-based compensation transactions for the fiscal year ended November 30, 2015 and 2016 were ¥569 thousand and ¥44,941 thousand for the fiscal year under review respectively.

The Group's stock option system that exists in the fiscal year under review is as follows:

	Number of stock options granted (shares)	Grant date	Period during which stock options may be exercised	Exercise price (¥)
Fifth Series of Stock Acquisition Rights	506,000	November 26, 2015	January 10, 2018 to October 28, 2020	803

(2) Total number of exercisable shares and average exercise price of stock options

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Exercise price (¥)	803	803
Unexercised, outstanding stock options at the beginning of the year (shares)	—	506,000
Granted during the year (shares)	506,000	—
Forfeited during the year (shares)	—	—
Exercised during the year (shares)	—	—
Expired during the year (shares)	—	—
Unexercised, outstanding stock options at the end of the year (shares)	506,000	506,000
Exercisable, outstanding stock options at the end of the year (shares)	—	—

36. Business combinations

During the fiscal year ended November 30, 2016, the Group engaged in the following business combinations.

Acquisition of Kishino Corporation and Kishino Real Estate Corporation

On March 31, 2016, the Company acquired 100% of the shares in Kishino Corporation and Kishino Real

Estate Corporation, companies owning income-generating properties mainly in Toshima Ward, Tokyo, and engaging in the rental business.

The Group is stepping up its activities to acquire future sources of income. This M&A activity was performed as part of the acquisition methods therefor.

The fair values of consideration paid, assets acquired and liabilities assumed as of the acquisition date were as follows:

	Amount (Thousands of yen)
Fair value of consideration paid (Note)	3,054,784
Fair values of assets acquired and liabilities assumed	
Current assets	5,239,508
[Of which, cash and cash equivalents]	[431,500]
Non-current assets	109,202
Current liabilities	(285,402)
Non-current liabilities	(2,008,552)
Net assets	3,054,784

Note: Consideration paid was in cash.

The fair values of assets acquired and liabilities assumed were calculated by taking into overall consideration financial and asset conditions examined through third-party due diligence.

Acquisition costs related to these business combinations, of ¥170,553 thousand, were recorded in "other expenses."

Profit and loss information and pro forma profit and loss information for these business combinations after the acquisition date are not stated, as its amount of impact on the consolidated financial statements is immaterial.

37. Contingencies

None

38. Subsequent events

None

39. Significant subsidiaries

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

(2)Others

Quarterly data of the fiscal year ended November 30, 2016

(Cumulative period)	First quarter (Three months ended Feb. 29, 2016)	Second quarter (Six months ended May 31, 2016)	Third quarter (Nine months ended Aug. 31, 2016)	Fiscal year ended November 30, 2016
Revenue (¥ thousand)	13,527,209	30,655,217	39,139,416	49,818,113
Profit before tax (¥ thousand)	3,914,810	7,240,317	8,203,330	8,450,048
Profit for the period (year) attributable to owners of parent (¥ thousand)	2,611,296	4,743,981	5,379,001	5,547,469
Basic earnings per share (¥)	54.08	98.25	111.40	114.89

(Each quarter)	First quarter (Dec. 1, 2015 – Feb. 29, 2016)	Second quarter (Mar. 1, 2016 – May 31, 2016)	Third quarter (Jun. 1, 2016 – Aug. 31, 2016)	Fourth quarter (Sep. 1, 2016 – Nov. 30, 2016)
Basic earnings per share (¥)	54.08	44.17	13.15	3.49

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheets

(¥ thousand)

		As of November 30, 2015		As of November 30, 2016
Assets				
Current assets				
Cash and deposits	*1	16,519,614		18,114,002
Accounts receivable-trade	*2	47,089		68,870
Real estate for sale	*1	35,377,728	*1	47,226,720
Real estate for sale in process	*1	9,416,577	*1	12,586,032
Supplies		2,886		2,592
Short-term loans receivable from subsidiaries and affiliates		240,000		1,820,560
Accounts receivable-other	*2	1,550,284	*2	376,666
Advance payments-trade		268,332		282,555
Prepaid expenses		358,014		332,905
Deferred tax assets		198,367		207,438
Other	*2	75,804		28,079
Allowance for credit losses		(909)		(290)
Total current assets		64,053,789		81,046,134
Non-current assets				
Property, plant and equipment				
Buildings	*1	6,165,762	*1	6,940,710
Structures		6,151		5,445
Machinery and equipment		40		7,153
Vehicles		10,839		7,229
Tools, furniture and fixtures		26,942		46,751
Land	*1	14,118,502	*1	16,282,879
Lease assets		1,271		8,893
Total property, plant and equipment		20,329,508		23,299,063
Intangible assets				
Software		38,633		39,582
Telephone subscription right		1,889		1,889
Total intangible assets		40,522		41,471

(¥ thousand)

		As of November 30, 2015		As of November 30, 2016
Investments and other assets				
Investment securities	*4	1,197,357		1,325,160
Stocks of subsidiaries and affiliates		1,123,160		5,784,833
Investments in capital		4,100		4,100
Long-term loans receivable		3,143		3,068
Long-term accounts receivable-other	*2	11,259	*2	23,055
Long-term loans receivable from subsidiaries and affiliates		—		1,200,200
Claims provable in bankruptcy, claims provable in rehabilitation and other	*2	59,089		9,195
Lease and guarantee deposits		1,052,734		1,158,117
Deferred tax assets		251,725		195,885
Other		4,014		4,014
Allowance for credit losses		(59,108)		(9,213)
Total investments and other assets		3,647,475		9,698,416
Total non-current assets		24,017,506		33,038,951
Total assets		88,071,296		114,085,085
Liabilities				
Current liabilities				
Notes payable-trade				
Accounts payable-trade	*2	427,343	*2	398,372
Short-term loans payable		—		1,675,000
Current portion of long-term loans payable	*1, 5	8,944,043	*1, 5	7,102,361
Lease obligations		1,335		2,709
Accounts payable-other		338,181		552,696
Accrued expenses	*2	44,487		64,610
Income taxes payable		934,252		1,558,973
Advances received	*2	1,170,304	*2	786,583
Deposits received		34,296		202,033
Provision for bonuses		149,930		228,980
Provision for loss on rental business		141,248		—
Total current liabilities		12,185,423		12,572,321
Non-current liabilities				
Long-term loans payable	*1, 5	37,727,751	*1, 5	58,892,256
Guarantee deposits	*2	3,043,359	*2	3,359,086
Lease obligations		—		6,895
Asset retirement obligations		18,905		19,049
Provision for retirement benefits		243,652		300,924
Long-term accounts payable-other		—		106,437
Long-term accounts payable-other for directors		360,711		360,711
Derivative liabilities		13,180		12,031
Total non-current liabilities		41,407,558		63,057,390
Total liabilities		53,592,981		75,629,712

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Net assets		
Shareholders' equity		
Capital stock	6,421,392	6,421,392
Capital surplus		
Legal capital surplus	6,504,868	6,504,868
Total capital surplus	6,504,868	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	21,447,154	25,409,376
Total retained earnings	21,469,404	25,431,626
Total shareholders' equity	34,395,664	38,357,887
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	90,981	60,295
Deferred gains (losses) on hedges	(8,928)	(8,347)
Total valuation and translation adjustments	82,053	51,948
Stock acquisition rights	596	45,538
Total net assets	34,478,314	38,455,373
Total liabilities and net assets	88,071,296	114,085,085

2) Non-consolidated statements of operations

(¥ thousand)

		Fiscal year ended November 30, 2015		Fiscal year ended November 30, 2016
Net sales	*1	37,242,841	*1	41,965,432
Cost of sales	*1	27,869,478	*1	29,444,927
Gross profit		9,373,362		12,520,504
Selling, general and administrative expenses	*1,2	3,424,943	*1,2	4,683,942
Operating income		5,948,418		7,836,561
Non-operating income				
Interest income	*1	9,980	*1	21,458
Dividends income	*1	418,808	*1	62,030
Miscellaneous income	*1	23,888	*1	59,987
Total non-operating income		452,677		143,476
Non-operating expenses				
Interest expenses		840,296		845,912
Foreign exchange losses		4,458		8,602
Miscellaneous loss		3,223		2,087
Total non-operating expenses		847,977		856,602
Ordinary income		5,553,118		7,123,434
Extraordinary income				
Gain on sales of investment securities		—		680
Total extraordinary income		—		680
Extraordinary loss				
Loss on retirement of non-current assets		1,913		3,491
Total extraordinary loss		1,913		3,491
Income before income taxes		5,551,204		7,120,623
Income taxes-current		1,857,205		2,322,937
Income taxes-deferred		(212,733)		62,919
Total income taxes		1,644,472		2,385,857
Net income		3,906,732		4,734,766

Detailed schedule of cost of sales

Schedule of the cost in the Revitalization Business

Accounts	Notes	Fiscal year ended November 30, 2015		Fiscal year ended November 30, 2016	
		Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land		13,084,683	63.8	11,305,579	56.2
II. Acquisition and improvement cost of buildings		7,440,249	36.2	8,812,365	43.8
III. Book values written down following a decline in the revenue in the revenue expected to be generated from the inventories		—	—	—	—
Total		20,524,932	100.0	20,117,944	100.0

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

Schedule of the cost in the Development Business

Accounts	Notes	Fiscal year ended November 30, 2015		Fiscal year ended November 30, 2016	
		Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land costs		3,432,627	66.8	4,560,152	67.1
II. Construction costs		1,660,930	32.3	2,168,631	31.9
III. Book values written down following a decline in the revenue in the revenue expected to be generated from the inventories		43,829	0.9	66,554	1.0
Total		5,137,386	100.0	6,795,338	100.0

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

Schedule of the cost in the Rental Business

Accounts	Notes	Fiscal year ended November 30, 2015		Fiscal year ended November 30, 2016	
		Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		424,688	19.5	532,374	21.3
II. Miscellaneous expenses		1,754,780	80.5	1,969,601	78.7
[Of which taxes and dues]		[259,851]		[342,737]	
[Of which depreciation and amortization]		[139,467]		[222,903]	
[Of which water and power]		[446,837]		[475,148]	
Total		2,179,469	100.0	2,501,976	100.0

Schedule of the cost in the Fund and Consulting Business

Accounts	Notes	Fiscal year ended November 30, 2015		Fiscal year ended November 30, 2016	
		Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
Miscellaneous expenses		27,690	100.0	29,668	100.0
Total		27,690	100.0	29,668	100.0

3) Non-consolidated statements of changes in net assets

Fiscal year ended November 30, 2015
(December 1, 2014 – November 30, 2015)

(¥ thousand)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Total share-holders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings	
					General reserve	Retained earnings brought forward		
Balance at the beginning of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	18,119,830	18,142,080	31,068,340
Changes of items during the year								
Dividends from surplus						(579,408)	(579,408)	(579,408)
Net income						3,906,732	3,906,732	3,906,732
Net changes of items other than shareholders' equity								
Total changes of items during the year	–	–	–	–	–	3,327,324	3,327,324	3,327,324
Balance at the end of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	21,447,154	21,469,404	34,395,664

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	63,330	–	63,330	–	31,131,670
Changes of items during the year					
Dividends from surplus					(579,408)
Net income					3,906,732
Net changes of items other than shareholders' equity	27,651	(8,928)	18,723	596	19,319
Total changes of items during the year	27,651	(8,928)	18,723	596	3,346,643
Balance at the end of the year	90,981	(8,928)	82,053	596	34,478,314

Fiscal year ended November 30, 2016
(December 1, 2015 – November 30, 2016)

(¥ thousand)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Total retained earnings	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings			
					General reserve	Retained earnings brought forward		
Balance at the beginning of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	21,447,154	21,469,404	34,395,664
Changes of items during the year								
Dividends from surplus						(772,544)	(772,544)	(772,544)
Net income						4,734,766	4,734,766	4,734,766
Net changes of items other than shareholders' equity								
Total changes of items during the year	–	–	–	–	–	3,962,222	3,962,222	3,962,222
Balance at the end of the year	6,421,392	6,504,868	6,504,868	7,250	15,000	25,409,376	25,431,626	38,357,887

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	90,981	(8,928)	82,053	596	34,478,314
Changes of items during the year					
Dividends from surplus					(772,544)
Net income					4,734,766
Net changes of items other than shareholders' equity	(30,686)	581	(30,105)	44,941	14,836
Total changes of items during the year	(30,686)	581	(30,105)	44,941	3,977,058
Balance at the end of the year	60,295	(8,347)	51,948	45,538	38,455,373

[Notes to Non-consolidated Financial Statements]

Significant accounting policies

1. Valuation basis and methods for assets

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

(2) Valuation basis and method for Derivatives

Derivatives	Stated at fair value

(3) Valuation basis and methods for inventories

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

1) Real estate for sale and real estate for sale in process
Specific identification method
2) Supplies
Last purchase price method

2. Depreciation methods for non-current assets

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

3. Recognition of allowances

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

basis.

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

4. Other significant matters for preparing financial statements

(1) Accounting for consumption taxes	Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
(2) Translation of assets and liabilities denominated in foreign currencies into Japanese currency	Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and differences arising from such translation are recognized in the non-consolidated statement of operations.
(3) Method for hedge accounting	1) Method for hedge accounting Based on the deferred hedge accounting. 2) Hedging instrument and hedged item - Hedging instrument: interest rate swaps - Hedged item: interest on borrowings 3) Hedging policy To mitigate risks of fluctuations in interest rates on borrowings and improve the financial account balance, the Company hedges interest volatility risks within the scope of the hedged items. 4) Method for assessing hedge effectiveness The Company compares cumulative changes in the market price or cumulative changes in cash flows of the hedged item with cumulative changes in the market price or cumulative changes in cash flows of the hedging instrument semi-annually, and assesses hedge effectiveness based on the amount of these changes of both and other factors.

Notes on changes in accounting policies

Change in the depreciation method of property, plant and equipment

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended November 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

The effect of this change is immaterial.

Additional information

Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment of ¥2,401,614 thousand was transferred to real estate for sale due to the change in business policy.

Leasehold property previously held as real estate for sale of ¥3,834,754 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, 2015	As of November 30, 2016
Cash and deposits	690,000	—
Real estate for sale	31,432,164	46,259,608
Real estate for sale in process	9,156,247	12,051,301
Buildings	5,960,646	6,696,680
Land	13,244,263	15,405,528
Total	60,483,322	80,413,119

Debts secured by security interests

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Current portion of long-term loans payable	8,898,043	6,962,361
Long-term loans payable	36,782,751	58,892,256
Total	45,680,795	65,854,617

*2. Monetary receivables from and payables to subsidiaries and affiliates

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Short-term monetary receivables	7,315	5,123
Long-term monetary receivables	61,259	23,055
Short-term monetary payables	19,682	19,782
Long-term monetary payables	37,503	40,014

3. Contingent liabilities

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

(¥ thousand)

	As of November 30, 2015	As of November 30, 2016
Tosei Revival Investment Co., Ltd.	1,163,000	874,580
Tosei Community Co., Ltd.	82,578	75,834

*4. Securities lent

As of November 30, 2015

Investment securities include securities lent of ¥353,400 thousand.

As of November 30, 2016

No item to report.

*5. Financial covenants

As of November 30, 2015

(1) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (outstanding balance: ¥854,400 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 loan 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 must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2013, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, profit before tax must 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, to profit before tax shall be used as profit before tax in the formula above.
- In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.
  Reference value = Total interest-bearing debt ÷ Total equity
  * Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(2) Of the Company's loans payable, the individual contract of cash loan for consumption with Mizuho Bank, Ltd. (outstanding balance: ¥4,500,000 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 loan 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 must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.
  * 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, to operating profit shall be used as operating profit in the formula above.

(3) Of the Company's loans payable, the individual contract of cash loan for consumption with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥2,322,500 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 loan 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 must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.
  * 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, to operating profit shall be used as operating profit in the formula above.

As of November 30, 2016

(1) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (outstanding balance: ¥786,800 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 loan 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 must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must 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, to profit before tax shall be used as profit before tax in the formula above.
・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.
Reference value = Total interest-bearing debt ÷ Total equity
* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(2) Of the Company's loans payable, the individual contract of cash loan for consumption with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (outstanding balance: ¥800,000 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 loan 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 must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2015, and total equity as of the end of the previous fiscal year.
・ In the consolidated statement of comprehensive income, profit before tax must 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, to profit before tax shall be used as profit before tax in the formula above.
・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.
Reference value = Total interest-bearing debt ÷ Total equity
* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(3) Of the Company's loans payable, overdraft agreements with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (outstanding balance: ¥980,000 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 loan 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 must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.
・ In the consolidated statement of comprehensive income, profit before tax must 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, to profit before tax shall be used as profit before tax in the formula above.
・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.
Reference value = Total interest-bearing debt ÷ Total equity
* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(4) Of the Company's loans payable, the individual contract of cash loan for consumption with Mizuho Bank, Ltd. (outstanding balance: ¥4,500,000 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 loan 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 must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.
・ In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.
* 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, to operating profit shall be used as operating profit in the formula above.

(5) Of the Company's loans payable, the individual contract of cash loan for consumption with Sumitomo

Mitsui Banking Corporation (outstanding balance: ¥2,212,500 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 loan 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 must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

  * 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, to operating profit shall be used as operating profit in the formula above.

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, 2015	Fiscal year ended November 30, 2016
Sales	150,370	64,485
Purchase amount	363,321	911,095
Other business turnover	30,807	53,386
Transaction volume other than business turnover	413,660	31,068

*2. The approximate ratio to selling expenses is 33.4% in the fiscal year ended November 30, 2015 and 41.0% in the fiscal year ended November 30, 2016, while the approximate ratio to general and administrative expenses is 66.6% in the fiscal year ended November 30, 2015 and 59.0% in the fiscal year ended November 30, 2016. Main components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Sales expenses (Revitalization)	596,637	683,337
Sales expenses (Development)	476,264	1,142,792
Salaries and allowances	805,258	871,144
Provision for bonuses	149,930	228,980
Retirement benefit expenses	39,449	61,414
Provision for directors' retirement benefits	5,472	—
Provision of allowance for credit losses	5,673	2,579
Taxes and dues	408,805	628,803
Depreciation	46,306	45,533

Securities

As of November 30, 2015

As shares in subsidiaries (carrying amount in the balance sheet: ¥1,123,160 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, 2016

As shares in subsidiaries (carrying amount in the balance sheet: ¥5,784,833 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, 2015	As of November 30, 2016
Deferred tax assets		
Current assets		
Accrued enterprise taxes, currently not deductible	83,664	95,669
Provision for bonuses	53,617	78,225
Provision for loss on rental business	46,696	—
Estimated expenses, currently not deductible	—	16,387
Other	14,389	17,156
Subtotal	198,367	207,438
Non-current assets		
Provision for retirement benefits	78,602	92,142
Long-term accounts payable-other for directors	116,365	110,449
Loss on valuation of stocks of subsidiaries and affiliates	22,581	—
Impairment loss	50,650	—
Other	26,853	19,903
Subtotal	295,054	222,496
Total deferred tax assets	493,421	429,934
Deferred tax liabilities		
Non-current liabilities		
Valuation difference on available-for-sale securities	(43,328)	(26,610)
Subtotal	(43,328)	(26,610)
Total deferred tax liabilities	(43,328)	(26,610)
Net deferred tax assets	450,093	403,324

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, 2015	As of November 30, 2016
Statutory effective tax rate	35.6%	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	(2.3)	
Valuation reserves for deferred tax assets	(4.3)	
Difference due to tax-rate changes	0.7	
Other	(0.1)	
Effective tax rates after adoption of tax effect accounting	29.6	

3. Adjustment of the amounts of deferred tax assets and deferred tax liabilities due to a change of income tax rate

Following the enactment of the "Act for Partial Revision of the Income Tax Act, etc." and the "Act for Partial Revision, etc. of the Local Tax Act, etc." in the Diet on March 29, 2016, the statutory effective tax rate used for the calculation of deferred tax assets and liabilities in association with temporary differences expected to be reversed during the period from December 1, 2016 to November 30, 2018 will be changed to 30.86% and temporary differences expected to be reversed on and after December 1, 2018 will be changed to 30.62%.

The impact of this change on deferred tax assets and liabilities is immaterial.

Important subsequent events

None

d. Supplementary statements

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

(¥ thousand)

Cate-gory	Type of assets	Balance as of Dec. 1, 2015	Increase in the fiscal year ended Nov. 30, 2016	Decrease in the fiscal year ended Nov. 30, 2016	Depreciation during the fiscal year ended Nov. 30, 2016	Balance as of Nov. 30, 2016	Accumulated depreciation or amortization as of Nov. 30, 2016
Property, plant and equipment	Buildings	6,165,762	2,021,402	1,008,953	237,500	6,940,710	1,439,991
	Structures	6,151	—	—	705	5,445	17,522
	Machinery and equipment	40	7,400	—	286	7,153	1,126
	Vehicles	10,839	—	—	3,609	7,229	5,774
	Tools, furniture and fixtures	26,942	30,692	94	10,788	46,751	70,438
	Land	14,118,502	3,544,518	1,380,141	—	16,282,879	—
	Lease assets	1,271	10,036	143	2,271	8,893	1,143
	Construction in progress	—	14,400	14,400	—	—	—
	Total	20,329,508	5,628,449	2,403,733	255,162	23,299,063	1,535,997
Intangible assets	Software	38,633	15,740	1,516	13,274	39,582	—
	Telephone subscription right	1,889	—	—	—	1,889	—
	Total	40,522	15,740	1,516	13,274	41,471	—

Notes: 1. In the increase in the fiscal year ended Nov. 30, 2016, principal events are as follows:
Buildings: Transfer from real estate for sale (2 properties) ¥1,229,056 thousand
Land: Transfer from real estate for sale (2 properties) ¥2,597,409 thousand
2. In the decrease in the fiscal year ended Nov. 30, 2016, principal events are as follows:
Buildings: Transfer to real estate for sale (1 property) ¥1,007,073 thousand
Land: Transfer to real estate for sale (1 property) ¥1,380,141 thousand

[Detailed schedule of allowances]

(¥ thousand)

Category	Balance as of Dec. 1, 2015	Increase in the fiscal year ended Nov. 30, 2016	Decrease in the fiscal year ended Nov. 30, 2016	Balance as of Nov. 30, 2016
Allowance for doubtful accounts	60,017	1,241	51,753	9,504
Provision for bonuses	149,930	228,980	149,930	228,980
Provision for loss on rental business	141,248	—	141,248	—

(2) Principal assets and liabilities

This information is omitted since the consolidated financial statements have been prepared.

(3) Others

No item to report.

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 Shareholder registry administrator Forwarding office Handling charge for purchase	 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation – 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 Mitsubishi UFJ Trust and Banking Corporation , 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 Confirmation Letter

66th term; from December 1, 2014 to November 30, 2015, filed to Director-General of Kanto Local Finance Bureau on February 26, 2016.

(2) Internal Control Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on February 26, 2016.

(3) Quarterly Securities Reports and Confirmation Letter

First quarter of the 67th term; from December 1, 2015 to February 29, 2016, filed to Director-General of Kanto Local Finance Bureau on April 8, 2016.
Second quarter of the 67th term; from March 1, 2016 to May 31, 2016, filed to Director-General of Kanto Local Finance Bureau on July 8, 2016.
Third quarter of the 67th term; from June 1, 2016 to August 31, 2016, filed to Director-General of Kanto Local Finance Bureau on October 7, 2016.

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on February 27, 2017.

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

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

No items to report

Independent Auditors' Audit Report and Internal Control Audit Report

February 22, 2017

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

[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 for the fiscal year from December 1, 2015 to November 30, 2016.

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 from an independent perspective on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation and consolidated subsidiaries as of November 30, 2016, 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, 2016.

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 from an independent perspective 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, 2016 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.
*2. XBRL data is excluded from the scope of the audit.

* 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 22, 2017

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to 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 67th fiscal year from December 1, 2015 to November 30, 2016.

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 from an independent perspective 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, 2016, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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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. XBRL data is excluded from the scope of the audit.

* 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.

[Cover]

Document to be filed:	Management's Report on Internal Control
Provisions to base upon:	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 27, 2017
Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
Title and name of representative:	Seiichiro Yamaguchi, President and CEO
Title and name of Chief Financial Officer	Noboru Hirano, Director and CFO
Location of head office:	4-2-3, Toranomon, Minato-ku, Tokyo, Japan
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of Internal Control Over Financial Reporting

Seiichiro Yamaguchi, President and CEO of TOSEI CORPORATION (the "Company") and Noboru Hirano, CFO Senior Executive Officer of the Company, having the responsibility to design and operate internal control over financial reporting of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"), designs and operates such internal control of the Company in accordance with the basic framework set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was performed as of November 30, 2016(i.e., the last day of this fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the management first assessed company-level control which would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on such result, the management then selected the business processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

Management determined the scope of assessment of internal control over financial reporting, by selecting the Company, consolidated subsidiaries and companies accounted for by the equity method based on their materiality of impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the management reasonably determined the scope of assessment of process-level control based on the result of the company-level control assessment, which included the Company and its 4 significant consolidated subsidiaries.

For the purpose of determining the scope of process-level control assessment, 1 business location was selected as "Significant Business Locations", which comprises the Company and its consolidated subsidiaries selected in descending order based on their fiscal year's consolidated net sales (after elimination) and contributed approximately two-thirds of the Company's consolidated net sales in the aggregate. Note that the management confirmed that the scope of internal control assessment was sufficient based on this fiscal year's consolidated net sales. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company's business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the Significant Business Locations, certain business processes related to significant accounts involving estimates and management's judgment and business processes on businesses or operations in which transactions involving significant risks are conducted were added to the scope of assessment as "business processes with material impacts on financial reporting."

3. Assessment Result

Based on the above mentioned assessment results, the management concluded that the internal control over financial reporting of the Group at the end of this fiscal year was effective.

4. Supplementary Information

None

5. Special Affairs

None

This is an English translation prepared for the convenience of non-resident shareholders by translating the Management's Report on Internal Control submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 27, 2017 pursuant to Article 24-4-4, 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.