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Tosei Corporation

Securities Code: 8923
February 6, 2019

Dear Shareholders,

Notice of the 69th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 69th Ordinary General Meeting of Shareholders of Tosei Corporation (the "Company"; this meeting, the "Meeting"), which will be held as described below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electromagnetic method (using the Internet, etc.). Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 6:00 p.m. on Tuesday, February 26, 2019 (JST).

For information on voting results when voting rights are exercised by electromagnetic method (using the Internet, etc.), please refer to "Guide to Exercising Voting Rights via the Internet" on pages 36 through 37.

Sincerely yours,

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

Details

1. Date and Time:

Wednesday, February 27, 2019, at 10:00 a.m. (JST) (The reception for attendees begins at 9:00 a.m.)

2. Place:

Jiji Press Hall (2nd Floor, Jiji Press Building)
5-15-8 Ginza, Chuo-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements, for the 69th term (from December 1, 2017 to November 30, 2018)

b. Non-consolidated Financial Statements for the 69th term (from December 1, 2017 to November 30, 2018)

Matters to be resolved:

Proposal 1: Appropriation of Surplus

Proposal 2: Election of One (1) Audit & Supervisory Board Member

Proposal 3: Revision of Amount and Details of Stock Option Remuneration for Directors

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

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

(Attachment)

Business Report

(From December 1, 2017 to November 30, 2018)

1. Current status of the Group

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

a. Business developments and results

During the fiscal year ended November 30, 2018, the Japanese economy is recovering moderately, supported by increased capital investment on the back of favorable corporate earnings and stable personal consumption, despite a temporary downturn caused by the natural disasters. A moderate recovery is expected to continue going forward, backed by improvements of employment and income environments, as well as various policies, despite concerns over the trend of trade issue and the future of emerging economies.

In the real estate industry where Tosei Group operates, domestic real estate transactions by listed companies and other such entities from January to September 2018, increased 5% year on year to ¥3.0 trillion. Although there are movements for financial institutions to tighten their policies on loans for real estate investment by individuals who do not have sufficient own financial resources, in response to the fraudulent loans made by certain local banks and other issues, the real estate investment market has generally been performing favorably, supported by active property acquisitions by overseas investors and J-REITs (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units sold from January to October 2018 remained unchanged year on year, however, that the contract rate for the first month of sale continued to fall below the 70% threshold from which market conditions are viewed as favorable. In the build-for-sale detached house market, the number of units sold from January to September 2018 decreased 1% year on year, however, there has been a sign of a recovery in demand with a perception that they are undervalued because of a persistently high level of the condominium prices (according to surveys by the Ministry of Land, Infrastructure, Transport and Tourism and private research institute).

The office leasing market of Tokyo's five business wards has been performing favorably. According to a survey by a private research institute, the average vacancy rate as of October 2018 is 2.2% which is the lowest level since January 2002, and the average asking rent rose for the 58th consecutive month. Upward trend of rent is likely to continue as the demand from corporate businesses for relocation and office expansion is continuously expected.

The real estate securitization market is continuing to expand. The total value of assets under management as of June 2018 grew to ¥17.3 trillion in J-REITs (an increase of ¥1.1 trillion year on year), and the total value of assets under management in private placement funds grew to ¥16.9 trillion (an increase of ¥1.1 trillion year on year), and the overall market scale of the real estate securitization market reached ¥34.2 trillion (an increase of ¥2.2 trillion year on year) (according to a survey by a private research institute).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of condominiums and detached houses. In addition, other than usual acquisition methods, the Group also utilized an acquisition method of M&A, proactively acquiring income-generating properties and land for development as future sources of income.

As a result, consolidated revenue for the fiscal year under review totaled ¥61,543 million (up 6.6% year on year), operating profit was ¥10,875 million (up 10.6% year on year), profit before tax was ¥10,171 million (up 12.4% year on year), and profit for the year was ¥6,852 million (up 11.3% year on year).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 44 properties it had renovated, including Nishidai Tosei Building (Itabashi-ku, Tokyo), NU Kannai Building (Yokohama-shi, Kanagawa), Ikebukuro-jyoshikaikan Apartment (Toshima-ku, Tokyo), Higashitotsuka West Building (Yokohama-shi, Kanagawa), Kichichoji Ito Building (Musashino-shi, Tokyo) and Kuramochi Building 2 (Sumida-ku, Tokyo). In addition, the segment sold 22 units in the Restyling Business, including Hilltop Yokohama Negishi (Yokohama-shi, Kanagawa).

During the fiscal year under review, it also acquired a total of 43 income-generating office buildings and apartments and 12 land lots for renovation and sales purposes.

As a result, revenue in this segment was ¥34,793 million (down 13.6% year on year) and the segment profit was ¥6,770 million (down 13.7%).

Development Business

During the fiscal year under review, the segment focused on the sale of condominium and detached houses. The segment sold 88 units at THE Palms Yutenji Master's Place (Setagaya-ku, Tokyo) and sold 102 detached houses at such properties as THE Palms Court Koshigaya Lake Town (Koshigaya-shi, Saitama), THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa), THE Palms Court Kunitachi (Kokubunji-shi, Tokyo) and THE Palms Court Kashiwa Hatsuishi (Kashiwa-shi, Chiba). In addition, the segment sold one commercial facility and 12 land lots. During the fiscal year under review, it also acquired a land lot for condominium project, two lots for hotel project, a land lot for logistics facility and land lots for 51 detached housings.

As a result, revenue in this segment was ¥13,261 million (up 155.2% year on year) and the segment profit was ¥1,487 million (in comparison with segment loss of ¥408 million in previous fiscal year).

Rental Business

During the fiscal year under review, while the segment sold 37 buildings of its inventory assets held for leasing purposes, it newly acquired 29 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 ¥6,133 million (down 1.0% year on year) and the segment profit was ¥2,534 million (down 1.8%).

Fund and Consulting Business

During the fiscal year under review, while ¥40,485 million was subtracted from the balance of assets under management (Note), due mainly to property dispositions by funds, ¥151,636 million was added to the balance of assets under management ¥552,208 million 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, 2018, was ¥663,359 million. The acquisition of such large project contracts increased asset management fees and contributed to revenue.

As a result, revenue in this segment was ¥2,982 million (up 7.9% year on year) and the segment profit was ¥1,616 million (up 26.9%).

(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 622 as of November 30, 2018, a decrease of 43 properties from November 30, 2017, with that total comprising 390 office buildings, hotel, schools and other such properties, and 232 condominiums and apartments.

As a result, although the total number of properties under management decreased, due to increase in commission and fees, etc., revenue in this segment was ¥4,015 million (up 20.6% year on year) and the segment profit was ¥453 million (up 63.1%).

Others

During the fiscal year under review, revenue in this segment was ¥356 million (the revenue was ¥0 million in this segment in the same period of the previous year) and the segment loss was ¥45 million (down 39.7% year on year).

Business segment	Revenue
Revitalization Business	¥34,793 million
Development Business	13,261
Rental Business	6,133
Fund and Consulting Business	2,982
Property Management Business	4,015
Others	356
Total	61,543

b. Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥8,820 million.

c. Status of financing

The Group raised funds of ¥41,148 million by means of non-current loans during the fiscal year under review.

(2) Status of operating results and assets

a. Trends in operating results and assets of the Group

	66th term (Year ended November 30, 2015)	67th term (Year ended November 30, 2016)	68th term (Year ended November 30, 2017)	69th term (Year under review) (Year ended November 30, 2018)
Revenue (Thousands of yen)	43,006,964	49,818,113	57,754,328	61,543,319
Profit before tax (Thousands of yen)	6,040,311	8,450,048	9,049,467	10,171,017
Profit attributable to owners of the parent (Thousands of yen)	4,135,816	5,547,469	6,155,169	6,852,237
Basic earnings per share (Yen)	85.66	114.89	127.48	141.36
Total assets (Thousands of yen)	93,196,052	121,276,292	122,550,281	138,768,538
Total equity (Thousands of yen)	36,228,378	41,010,083	46,158,867	52,021,782

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

b. Trends in operating results and assets of the Company

	66th term (Year ended November 30, 2015)	67th term (Year ended November 30, 2016)	68th term (Year ended November 30, 2017)	69th term (Year under review) (Year ended November 30, 2018)
Net sales (Thousands of yen)	37,242,841	41,965,432	45,491,580	48,061,639
Ordinary income (Thousands of yen)	5,553,118	7,123,434	7,218,097	6,770,624
Net income (Thousands of yen)	3,906,732	4,734,766	5,449,682	5,370,323
Net income per share (Yen)	80.91	98.06	112.87	110.79
Total assets (Thousands of yen)	88,071,296	114,085,085	115,196,337	128,160,896
Net assets (Thousands of yen)	34,478,314	38,455,373	42,889,054	47,281,601

(Note) The above table has been made under Japanese GAAP.

(3) Status of significant parent company and subsidiaries

a. Status of significant subsidiaries

Name of company	Capital or investments in capital	Equity ownership [Indirect equity ownership]	Major lines of business
Tosei Community Co., Ltd.	¥99,500 thousand	100.0%	Property management business
Tosei Asset Advisors, Inc.	¥100,000 thousand	100.0	Fund and consulting business
Tosei Revival Investment Co., Ltd.	¥50,000 thousand	100.0	Real estate consulting business
Urban Home Corporation	¥100,000 thousand	100.0	Development business
Kishino Corporation	¥10,000 thousand	100.0	Revitalization business
Four Big Corporation	¥80,000 thousand	100.0	Revitalization business
KS Properties Corporation	¥100 thousand	100.0	Revitalization business
Masuda Kenzai-ten Co., Ltd.	¥60,500 thousand	100.0	Revitalization business
Sanki-shoji Co., Ltd.	¥30,000 thousand	100.0	Revitalization business
Tosei Hotel Management Co., Ltd.	¥100,000 thousand	100.0	Hotel management
Tosei Hotel Kanda Co., Ltd.	¥10,000 thousand	[100.0]	Hotel management
Tosei Hotel Ueno Co.	¥10,000 thousand	[100.0]	Hotel management
Tosei Hotel Service Co., Ltd.	¥10,000 thousand	100.0	Hotel management
Tosei Chintai Hosho LLC	¥3,000 thousand	100.0	Property management business
Tosei Singapore Pte. Ltd.	S$4,000,000	100.0	Rental business
CSC	¥35,000 thousand	100.0	Other business

(Notes) 1. Masuda Kenzai-ten Co., Ltd. and Sanki-shoji Co., Ltd. were acquired in M&A transactions during the fiscal year under review, while Tosei Hotel Ueno Co. and Tosei Hotel Service Co., Ltd. were established as subsidiaries, and all four companies have been included in the scope of consolidation.

2. As of December 13, 2018, Tosei Hotel Ueno Co. has changed its trade name to Tosei Hotel Makuhari Co., Ltd.

b. Results of business combinations

Results of business combinations during the fiscal year under review are presented above in “1. Current status of the Group, (1) Status of operations for the fiscal year under review, a. Business developments and results.”

(4) Issues to be addressed

In the real estate investment market, which is the Company’s main target market, a continuing favorable financing environment is fueling real estate transactions by corporations, J-REITs, overseas investors, etc. Although lenders are increasing its cautious stance on loans for investment properties for individual investors due to the impact of fraudulent loans made by certain local banks, the market has a favorable investment environment compared to major cities around the world, and the demand for real estate investment is expected to continue supported by firm demand for offices and stable demand for condominiums. On the other hand, investment properties in suburban area shows relative vulnerability compared to the favorable sales of properties in the metropolitan area. The Company believes that the investment strategy responsive to changes in real estate market is needed.

Amid this operating environment, the Group is promoting its medium-term management plan “Seamless Growth 2020” (December 2017 to November 2020) with the fiscal year ended November

30, 2018 as its first year. The major policy of the plan is “to continue growth as a Group to build a firm position as an original comprehensive real estate company.” In the fiscal year ending November 30, 2019, the Company will continue implementing its growth strategy based on this plan.

The Revitalization Business will revitalize and create added value for existing properties and aim to expand operations through initiatives such as product line expansion and diversification of sales methods. With regard to the acquisition of properties, the Company will actively increase the number of small- to medium-size and high liquid property in the metropolitan area and acquire over ¥2.0 billion of medium- to large-size and profitable property, while paying attention to the portfolio. The Development Business will promote the development and sales of detached houses and condominiums that are in steady demand, as well as active development of properties such as logistics facility and hotels after assessing the location demand. On the other hand, the Stock and Fee Business, the Company’s stable source of income, aims to expand all segments. The Rental Business will strive to expand Company-held fixed assets; the Fund and Consulting Business will accumulate assets under management; and the Property Management Business will increase properties under management.

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

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

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

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

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

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

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

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

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

a. Consolidated revenue for the final fiscal year: ¥100 billion

b. Consolidated profit before tax for the final fiscal year: ¥12 billion

c. Average profit growth rate of the three years: 10% or more

d. Average ROE of the three years: 12% or more

e. Expansion of the ratio of stable businesses

- To make the ratio of the gross profit of the trading business to that of the stable business 50:50 in the final fiscal year[*2]

f. Guideline for equity ratio: 35%

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

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

(5) Major lines of business (As of November 30, 2018)

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

(6) Major business offices (As of November 30, 2018)

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

(Note) As of December 13, 2018, Tosei Hotel Ueno Co. has changed its trade name to Tosei Hotel Makuhari Co., Ltd.

(7) Status of employees (As of November 30, 2018)

a. Status of employees of the Group

Segment	Number of employees	Year-on-year change
Revitalization Business	78	23
Development Business	73	(7)
Rental Business	20	(3)
Fund and Consulting Business	69	(4)
Property Management Business	124	15
Others	11	11
Group-wide (common)	56	10
Total	431	45

(Notes) 1. The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 139.
2. Compared to the end of the previous fiscal year, the number of employees increased by 45. The main reason for this is an increase in employment during the fiscal year in line with the expansion of operations.

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
181	22	37.02 years old	5.49 years

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

(8) Major lenders (As of November 30, 2018)

Lender	Loan balance (Millions of yen)
Sumitomo Mitsui Banking Corporation	10,353
Mizuho Bank, Ltd.	8,969
Resona Bank, Limited.	6,234
The Tokyo Star Bank, Limited	4,800
Kansai Urban Banking Corporation	4,706

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

Not applicable.

2. Current status of the Company

(1) Status of shares (As of November 30, 2018)

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

b. Total number of shares issued 48,544,800 shares (incl. 105 treasury shares)

c. Number of shareholders 5,395

d. Major shareholders (Top 10)

Name of shareholder	Number of shares held	Holding ratio
Seiichiro Yamaguchi	12,885,500 shares	26.54%
Zeus Capital Limited	6,000,000	12.35
KBL EPB S.A. 107704	4,847,300	9.98
Japan Trustee Services Bank, Ltd. (Trust Account)	1,974,500	4.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,432,000	2.94
STATE STREET BANK AND TRUST COMPANY 505001	1,417,572	2.92
SSBTC CLIENT OMNIBUS ACCOUNT	1,283,800	2.64
GOVERNMENT OF NORWAY	878,195	1.80
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT	646,100	1.33
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	603,600	1.24

(Note) The holding ratio has been calculated by deducting the treasury shares (105 shares) and rounding down to the second decimal place.

(2) Status of stock acquisition rights, etc.

a. Status of stock acquisition rights delivered to and held by officers as consideration for execution of duties (As of November 30, 2018)

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

- Number of stock acquisition rights

  290 units

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

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

- Amount to be paid in for stock acquisition rights

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

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

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

- Period during which stock acquisition rights may be exercised

  From January 10, 2018 to October 28, 2020

- Terms and conditions for exercising stock acquisition rights

  1) 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.

2) Inheritance of stock acquisition rights shall not be permitted.

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

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

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

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

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

Not applicable.

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

Not applicable.

(3) Status of officers of the Company

a. Status of Directors and Audit & Supervisory Board Members (As of November 30, 2018)

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

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

b. Director who retired during the fiscal year

Name	Date of retirement	Reason for retirement	Position, areas of responsibility in the Company and important concurrent positions outside the Company at the time of retirement
Goro Kamino	February 27, 2018	Expiration of the term of office	Outside Director President and Representative Director of Sala Corporation President CEO of Gastec Service, Inc. President and Representative Director of Chubu Gas Co., Ltd. Director of Sala House Co., Ltd. Outside Director of Toyohashi Cable Network Inc. Outside Director of Musashi Seimitsu Industry Co., Ltd. Outside Director of Nippon Venture Capital Co., Ltd.

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

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

Category	Number of payees	Amount paid
Directors	8	¥208,222 thousand
Audit & Supervisory Board Members	4	30,540
Total [Of the above, Outside Directors and Outside Audit & Supervisory Board Members]	12 [7]	238,762 [43,184]

(Notes) 1. Maximum total amount of Directors' remuneration is set at ¥400 million (including a maximum of ¥60 million of Outside Directors' remuneration; excluding employee salaries) per year as determined at the 68th Ordinary General Meeting of Shareholders held on February 27, 2018.
In addition to this, Directors' remuneration as stock options within the range of ¥36 million per year was approved at the 65th Ordinary General Meeting of Shareholders held on February 25, 2015.

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

3. The above amounts of remuneration include the following:
   - The amount of the remuneration provided as stock options: ¥376 thousand (¥376 thousand for five Directors (including ¥44 thousand for two Outside Directors))

4. Other than the above, the total amount of remuneration, etc. received as officer remuneration by Outside Audit & Supervisory Board Member(s) from the Company's subsidiaries was ¥300 thousand, and this was paid to one person.

d. Matters regarding outside officers

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

- Director Kenichi Shohtoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. There are no special relationships between the Company and SCS Global Consulting (S) Pte Ltd or ROKI GROUP HOLDINGS CO., LTD.
- Director Hiroyuki Kobayashi serves concurrently as CEO of Social Capital Management, Inc., as well as Director of Precious Square, Inc. There are no special relationships between the Company and Social Capital Management, Inc. or Precious Square, Inc.

- Audit & Supervisory Board Member Tatsuki Nagano serves concurrently as Senior Director, Head of the Management Headquarters of All Nippon Asset Management, Co., Ltd. He is also a Director of System Location Co., Ltd. There are no special relationships between the Company and each of All Nippon Asset Management, Co., Ltd. and System Location Co., Ltd.

2) Main activities during the fiscal year under review

	Main activities
Kenichi Shohtoku, Director	Kenichi Shohtoku attended all 20 meetings of the Board of Directors held during the fiscal year under review. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as an accounting expert based on his wide-ranging experience and expertise as a certified public accountant, including overseas service.
Hiroyuki Kobayashi, Director	Hiroyuki Kobayashi attended all 17 meetings of the Board of Directors held after he was appointed on February 27, 2018. He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his external objective perspective based on his abundant experience at major financial institutions, specialist knowledge and his high level of insight based on the above.
Yutaka Kitamura Audit & Supervisory Board Member	Yutaka Kitamura attended all 20 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge.
Hiroshi Nishinakama Audit & Supervisory Board Member	Hiroshi Nishinakama attended all 20 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge.
Tatsuki Nagano, Audit & Supervisory Board Member	Tatsuki Nagano attended 17 of the 20 meetings of the Board of Directors and 15 of the 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his wide-ranging experience and specialist knowledge.
Osamu Doi, Audit & Supervisory Board Member	Osamu Doi attended 19 of the 20 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

e. Outline of content of limited liability agreement

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

(4) Status of Accounting Auditor

a. Name Shinsoh Audit Corporation

b. Amount of remuneration, etc.

Category	Amount paid
Amount of remuneration, etc. to be paid during the fiscal year under review	¥36,000 thousand
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥41,000 thousand

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

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

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

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

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

(5) Systems to ensure properness of operations

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

a. Basic policies for compliance with laws and regulations

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

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

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

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

b. Basic policies for storing and managing information

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

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

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

c. Basic policies for management of risk of loss

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

(ii) Enhance monitoring of risk management.

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

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

d. Basic policies for efficient execution of duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal control system of the Group implemented and operated as of the end of the fiscal year (November 30, 2018) is as follows.

*Major meetings cited in the text

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

a. Compliance with laws and regulations, etc.

i) Ensure awareness regarding compliance with laws and regulations

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

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

During the fiscal year under review, we implemented the Harassment Prevention Training Course for officers and those in managerial positions in the Company and each of the Group companies. In addition, we formulated and distributed the Harassment Prevention Leaflet to all officers and employees in the Group.

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

As well as monitoring and supervising by two Outside Directors and four Audit & Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors (held three times 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 on the Company and the Group companies and self-inspections at the departmental level are implemented, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members.

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

At important meetings and committees attended by full-time Directors, including those of the Board of Directors, checks are made for signs, or actual occurrences, of breaches of laws and regulations, instructions are given regarding responses, and status reports are made. Also, the Company has prescribed internal rules regarding the establishment of a crisis management office headed by the President and CEO, and timely and appropriate information disclosure in the event that serious breaches and/or incidents occur.

During the fiscal year under review, we revised the Crisis PR Manual, which stipulates the responses to be taken (information disclosure, etc.) in the event of occurrence of serious breaches and/or incidents.

iv) 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.

b. Storing and managing information

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

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

During the fiscal year under review, we formulated and disseminated guidelines regarding the handling of important information of other companies that are likely to be acquired through sales activities.

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

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

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

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

c. Management of risk of loss

i) Ensure thorough understanding, analysis and assessment of risks

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

Regarding the hotel operations business that we started in the fiscal year under review, we have identified 10 significant risks including emergency accidents and fires, formulated and set up a manual for business execution procedures to follow in the event of an accident, and implemented drills and trainings regularly.

ii) Enhance monitoring of risk management

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

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

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

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

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

During the fiscal year under review, we revised the Crisis PR Manual, which stipulates the responses to be taken (information disclosure, etc.) in case of occurrence of a contingency, etc.

d. Efficient execution of duties by Directors

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

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

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

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

When drawing up the business plans and budgets, we analyze the economic environment in Japan and overseas and the operating environment in the real estate market, conduct separate discussions with each department and Group company without setting goals that are over-ambitious, and make our final decisions.

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

We have been implementing organizational changes and other modifications in order to execute business appropriately and efficiently. This is in response to changes in the content of the businesses, the increase in the number of employees associated with the expansion of business including new businesses, and the increase in the number of Group companies, etc.

In preparation for the new fiscal year, in the fiscal year under review, we have resolved to conduct the organizational restructuring of business divisions and establish Asset Solution Department 5 with the aim of expanding business.

e. Properness of operations of entire Group

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

Through various trainings, etc. conducted by the Company and each Group company, we are striving for a full penetration of the understanding of the Group's philosophy and improvement of compliance awareness.

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

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

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

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

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

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

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

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

With regard to important matters in the management and latent risks of each company, reports are made each month at meetings of the Board of Directors and the Risk Management and Compliance Committee of the Company.

Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management and Compliance Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company

is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

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

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

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

In addition, opinion-exchanging meetings concerning threefold auditing are held regularly, between the Company's full-time Audit & Supervisory Board Members, the Internal Audit Department, and the audit corporation.

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

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

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

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

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

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

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

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

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

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

Audit & Supervisory Board Members.

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

At the pre-Board meeting discussions of the Company, where each Group company makes the monthly management reporting, and at interviews by full-time Audit & Supervisory Board Members of the Company with representative directors of each Group company held on a regular basis, each Group company is required to report occurrence and signs of any material losses and significant risks associated with management of the Group company.

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

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

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

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

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

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

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

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

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

At the Board of Directors' meeting 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 their monthly audit reports.

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

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

(6) Basic policy regarding the control of the Company

a. Details of the basic policy

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

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

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

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

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

b. Measures to realize the basic policy

1) Special measures to realize the basic policy

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

In the medium-term management plan called "Seamless Growth 2020" (the targeted period of the plan is three years from December 2017 to November 2020), which kicked off in the fiscal year ended November 30, 2018, under the major policy "to continue growth as a Group to build a firm position as an original comprehensive real estate company," we aim to establish new income-generating business, while targeting further growth of the five existing businesses and increases in their operating profit. In addition, we will endeavor to increase profits from the Rental, Fund and Consulting and Property Management Businesses, which are positioned as the stable businesses, to enable a structural balance between profits from the Revitalization and Development Businesses so as to reinforce our resilience to changes in the business environment. On the financial front, we will enhance funding capabilities, through methods such as the extension of borrowing periods to maintain a sound financial structure as the infrastructure that supports the expansion of business scale, while aiming at effective investments. In addition, as the composition of the Group's trade diversifies in line with the expanding business scale, we will further enhance the quality of internal control, namely, compliance, risk management, and disclosure, to establish an optimum corporate governance structure. Furthermore, we recognize that human resources that are the most important assets of the Company, and to leverage these assets, we will drive ahead with the development of next-generation executives, all officers and employees and the fostering of human resources for the improvement of productivity, while increasing the satisfaction of employees of the entire Group. At the same time, we will strive to establish a corporate brand befitting the firm position as a group of original comprehensive real estate companies and reinforce the attractiveness of our product brand that will be trusted by the market.

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

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

(i) Purpose of the Plan

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

(ii) Targeted acquisitions

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

(iii) Submission of Acquirer's Statement

The Company will request the Acquirer to submit to the Company in the form separately

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

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

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

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

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

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

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

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

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

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

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

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

(v) Independent Committee Consideration

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

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

(vi) Resolutions by the Board of Directors

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

(vii) Convocation of the Shareholders Meeting

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

(viii) Information disclosure

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

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

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

Trigger Event (1)

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

Trigger Event (2)

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

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

- A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price
- Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost

acquisition of the Company's material assets

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

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

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

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

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

(x) Outline of the stock acquisition rights

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

(xi) Effective period of the Plan

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

(xii) Impact on shareholders

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

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

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

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

<Consolidated Financial Statements>

Consolidated Statement of Financial Position

(As of November 30, 2018)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**92,099,167**	**Current liabilities**	**14,423,341**
Cash and cash equivalents	26,520,569	Trade and other payables	4,075,579
Trade and other receivables	3,090,237	Borrowings	7,308,494
Inventories	62,457,864	Current income tax liabilities	2,445,597
Other current assets	30,495	Provisions	593,669
Non-current assets	**46,669,371**	**Non-current liabilities**	**72,323,414**
Property, plant and equipment	8,785,869	Trade and other payables	3,708,969
Investment properties	33,752,847	Borrowings	67,716,752
Intangible assets	87,966	Retirement benefits obligations	493,554
Available-for-sale financial assets	2,244,831	Deferred tax liabilities	397,320
Trade and other receivables	865,235	Provisions	6,817
Deferred tax assets	903,707	**Total liabilities**	**86,746,756**
Other non-current assets	28,914	**Equity**	
		Equity attributable to owners of the parent	**52,021,782**
		Share capital	6,554,139
		Capital reserves	6,544,924
		Retained earnings	38,843,309
		Treasury shares	(128)
		Other components of equity	79,537
		Total equity	**52,021,782**
Total assets	**138,768,538**	**Total liabilities and equity**	**138,768,538**

Consolidated Statement of Comprehensive Income

(From December 1, 2017 to November 30, 2018)

(¥ thousand)

Item	Amount
Revenue	**61,543,319**
Cost of revenue	**42,820,221**
Gross profit	**18,723,097**
Selling, general and administrative expenses	7,860,072
Other income	147,032
Other expenses	134,249
Operating profit	**10,875,807**
Finance income	85,743
Finance costs	790,534
Profit before tax	**10,171,017**
Income tax expense	3,318,779
Profit for the year	**6,852,237**
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Remeasurements of defined benefit pension plans	(11,038)
Total items that will not be reclassified to net profit or loss	(11,038)
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	(881)
Net change in fair values of available-for-sale financial assets	13,480
Net change in fair values of cash flow hedges	2,913
Total items that may be reclassified to net profit or loss	15,513
Other comprehensive income for the year, net of tax	**4,474**
Total comprehensive income for the year	**6,856,712**
Profit attributable to:	
Owners of the parent	6,852,237
Total comprehensive income attributable to:	
Owners of the parent	6,856,712

Consolidated Statement of Changes in Equity

(From December 1, 2017 to November 30, 2018)

(¥ thousand)

	Equity attributable to owners of the parent					
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity
Balance as of December 1, 2017	6,421,392	6,464,240	33,209,210	—	64,024	46,158,867
Comprehensive income for the year						
Profit for the year	–	—	6,852,237	—	—	6,852,237
Other comprehensive income	–	—	—	—	4,474	4,474
Total comprehensive income for the year	–	—	6,852,237	—	4,474	6,856,712
Amount of transactions with owners						
Issuance of new shares	132,747	75,748	—	—	—	208,495
Purchase of treasury shares	—	—	—	(128)	—	(128)
Dividends from surplus	—	—	(1,207,100)	—	—	(1,207,100)
Share-based payment	—	4,935	—	—	—	4,935
Transfer from other components of equity to retained earnings	—	—	(11,038)	—	11,038	—
Total amount of transactions with owners	132,747	80,683	(1,218,138)	(128)	11,038	(993,797)
Balance as of November 30, 2018	6,554,139	6,544,924	38,843,309	(128)	79,537	52,021,782

Notes to Consolidated Financial Statements

1. Significant matters in preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

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

(2) Scope of consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 16
- Names of consolidated subsidiaries: Tosei Community Co., Ltd.
  Tosei Asset Advisors, Inc.
  Tosei Revival Investment Co., Ltd.
  Urban Home Corporation
  Kishino Corporation
  Four Big Corporation
  KS Properties Corporation
  Masuda Kenzai-ten Co., Ltd.
  Sanki-shoji Co., Ltd.
  Tosei Hotel Management Co., Ltd
  Tosei Hotel Kanda Co., Ltd.
  Tosei Hotel Ueno Co.
  Tosei Hotel Service Co., Ltd.
  Tosei Chintai Hosho LLC
  Tosei Singapore Pte. Ltd.
  CSC

(Note) As of December 13, 2018, Tosei Hotel Ueno Co. has changed its trade name to Tosei Hotel Makuhari Co., Ltd.

2) Change in scope of consolidation

Masuda Kenzai-ten Co., Ltd. and Sanki-shoji Co., Ltd. were acquired in M&A transactions, while Tosei Hotel Ueno Co. and Tosei Hotel Service Co., Ltd. were established as subsidiaries, and all four companies have been included in the scope of consolidation.

(3) Application of equity method

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

(4) Accounting policies

1) Valuation basis and methods for financial assets

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

(i) Loans and receivables

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

other receivables" in the consolidated statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in other categories. Available-for-sale financial assets are recorded as non-current assets unless the management has an intention to dispose of the investment within 12 months from 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 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, the discounted cash flow method, and others.

The Group assesses financial assets or financial asset groups at each reporting date whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized.

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.

2) Valuation basis and methods for inventories

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

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

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

3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

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

Property, plant and equipment are measured at the carrying amount, which is calculated as cost

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

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

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

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

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

(ii) Investment properties

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

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

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

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

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

(iii) Intangible assets

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

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

•Software

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

After the acquisition, software is amortized under the straight-line method over its estimated

useful life. The estimated useful life and amortization method are reviewed in each fiscal year, and changed if necessary.

(iv) Leased assets

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

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

4) Recognition of significant provisions

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

5) Employment benefits

(i) Defined benefit pension plans

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

(ii) Defined contribution pension plans

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

(iii) Short-term employee benefits

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

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

6) Significant hedge accounting method

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

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

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

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

7) Foreign currency translation methods

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

8) Other significant matters for preparing consolidated financial statements

Accounting for consumption taxes

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

2. Notes to consolidated statement of financial position

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Inventories	55,167,549
Property, plant and equipment	8,608,451
Investment properties	27,044,816
Total	90,820,817
Amount of securitized obligation	
Borrowings	74,772,773
Total	74,772,773

(2) Allowance for credit losses deducted directly from assets ¥8,843 thousand

(3) Accumulated depreciation on assets

	(¥ thousand)
Property, plant and equipment	609,891
Investment properties	1,780,932

(4) Change in holding purpose of assets

Leasehold property of ¥4,256,152 thousand previously held as investment properties was transferred to inventories due to the change in business policy.

Leasehold property of ¥4,884,154 thousand previously held as inventories was transferred to property, plant and equipment (¥3,455,998 thousand) and investment properties (¥1,428,155 thousand) due to the change in business policy.

3. Notes to consolidated statement of changes in equity

(1) Class and total number of shares issued

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	48,284,000	260,800	–	48,544,800

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

(2) Class and total number of treasury shares

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	–	105	–	105

(Note) The increase in the number of treasury shares is due to the purchase of fractional shares.

(3) Dividends from surplus

1) Cash dividends paid, etc.

Matters regarding dividends based on the resolution of the 68th Ordinary General Meeting of Shareholders held on February 27, 2018

- Total dividends ¥1,207,100 thousand
- Dividends per share ¥25
- Record date November 30, 2017
- Effective date February 28, 2018

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

A proposal will be submitted as follows at the 69th Ordinary General Meeting of Shareholders to be held on February 27, 2019.

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

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

183,200 ordinary shares (62,000 shares) of the Company

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

4. Notes on financial instruments

(1) Status of financial instruments

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

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

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

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

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

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

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

(2) Fair values of financial instruments

The carrying amounts in consolidated statement of financial position and the fair values, and differences thereof as of November 30, 2018 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
(1) Cash and cash equivalents	26,520,569	26,520,569	–
(2) Trade and other receivables	3,955,472	3,955,472	–
(3) Available-for-sale financial assets	2,244,831	2,244,831	–
(4) Trade and other payables	7,784,548	7,784,548	–
(5) Borrowings	75,025,247	75,035,318	10,070

Method for measuring fair value of financial instruments

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

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

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

2) 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 determines fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and the discounted cash flow method. Securities that do not have a quoted price in an active market and of which the fair value cannot be reliably determined are measured based on the acquisition cost.

3) Non-current borrowings

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

5. Notes on investment properties

(1) Status of investment properties

The Company and certain consolidated subsidiaries own rental office and condominium buildings mainly in Tokyo to earn rental revenue. Net rental revenue from these investment and rental properties during the fiscal year ended November 30, 2018 totaled ¥1,806,241 thousand (rental revenue and rental expense were recorded as revenue and cost of revenue, respectively).

(2) Fair value of investment properties

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

(¥ thousand)

	Carrying amount in consolidated statement of financial position			Fair value at end of the fiscal year
	Balance at beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at end of the fiscal year	
Investment properties	28,359,547	5,393,299	33,752,847	51,411,724

(Notes) 1. The carrying amount in consolidated statement of financial position shown above indicates cost less any accumulated depreciation and accumulated impairment losses.
2. During the fiscal year ended November 30, 2018, the increase mostly stemmed from the transfer from inventories due to change of holding purpose (¥1,428,155 thousand) and new acquisition (¥8,723,692 thousand). Also, the decrease mostly stemmed from the transfer to inventories due to change of holding purpose (¥4,256,152 thousand).
3. The fair value as of November 30, 2018 was internally calculated in accordance with the Real Estate Appraisal Standards.

6. Per share information

(1) Equity attributable to owners of the parent per share ¥1,071.63

(2) Basic earnings per share ¥141.36

7. Significant subsequent events

Not applicable.

8. Other

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

<Non-consolidated Financial Statements>

Non-Consolidated Balance Sheet

(As of November 30, 2018)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**77,110,161**	**Current liabilities**	**10,215,798**
Cash and deposits	18,747,826	Accounts payable-trade	810,375
Accounts receivable-trade	119,547	Current portion of long-term loans payable	6,283,260
Real estate for sale	45,077,095	Lease obligations	3,654
Real estate for sale in process	10,917,460	Accounts payable-other	540,829
Supplies	5,761	Accrued expenses	77,190
Short-term loans receivable from subsidiaries and affiliates	70,000	Income taxes payable	837,448
Accounts receivable-other	938,635	Advances received	1,215,569
Advance payments-trade	500,205	Deposits received	164,446
Prepaid expenses	259,258	Provision for bonuses	281,962
Deferred tax assets	196,562	Provision for loss on rental business	1,060
Other	278,280	**Non-current liabilities**	**70,663,496**
Allowance for credit losses	(471)	Long-term loans payable	66,853,583
Non-current assets	**51,050,735**	Guarantee deposits	3,081,544
Property, plant and equipment	**40,558,800**	Lease obligations	2,419
Buildings	16,434,105	Asset retirement obligations	6,817
Structures	28,956	Provision for retirement benefits	366,943
Machinery and equipment	22,895	Long-term accounts payable-other for directors	348,641
Vehicles	12,128	Derivative liabilities	3,546
Tools, furniture and fixtures	33,502		
Land	24,021,186		
Lease assets	5,624		
Construction in progress	400		
Intangible assets	**50,405**		
Software	25,411	**Total liabilities**	**80,879,295**
Software in progress	23,105	**Net assets**	
Telephone subscription right	1,889	**Shareholders' equity**	**47,173,911**
Investments and other assets	**10,441,529**	**Capital stock**	**6,554,139**
Investment securities	2,194,930	**Capital surplus**	**6,637,615**
Stocks of subsidiaries and affiliates	6,390,866	Legal capital surplus	6,637,615
Investments in capital	4,150	**Retained earnings**	**33,982,284**
Long-term loans receivable	2,910	Legal retained earnings	7,250
Long-term loans receivable from subsidiaries and affiliates	473,000	Other retained earnings	33,975,034
		General reserve	15,000
Long-term prepaid expenses	195,863	Retained earnings brought forward	33,960,034
Long-term accounts receivable-other	47,092	**Treasury shares**	**(128)**
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,627	**Valuation and translation adjustments**	**67,871**
		Valuation difference on available-for-sale securities	**70,332**
Lease and guarantee deposits	603,566	**Deferred gains (losses) on hedges**	**(2,460)**
Deferred tax assets	525,152	**Stock acquisition rights**	**39,818**
Other	4,014		
Allowance for credit losses	(3,645)	**Total net assets**	**47,281,601**
Total assets	**128,160,896**	**Total liabilities and net assets**	**128,160,896**

Non-Consolidated Statement of Operations

(From December 1, 2017 to November 30, 2018)

(¥ thousand)

Item	Amount	
Net sales		**48,061,639**
Cost of sales		**36,911,353**
Gross profit		**11,150,286**
Selling, general and administrative expenses		4,819,863
Operating income		**6,330,422**
Non-operating income		
Interest income	14,436	
Dividends income	1,142,368	
Reversal of allowance for loan losses	921	
Miscellaneous income	53,448	1,211,174
Non-operating expenses		
Interest expenses	758,957	
Stock issue expense	1,335	
Foreign exchange losses	359	
Miscellaneous loss	10,320	770,973
Ordinary income		**6,770,624**
Extraordinary loss		
Loss on sales of non-current assets	304	
Loss on retirement of non-current assets	568	872
Income before income taxes		**6,769,751**
Income taxes-current	1,781,756	
Income taxes-deferred	(382,328)	1,399,427
Net income		**5,370,323**

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2017 to November 30, 2018)

(¥ thousand)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				Treasury shares
		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	29,796,811	29,819,061	—
Changes of items during the year								
Issuance of new shares	132,747	132,747	132,747					
Dividends from surplus						(1,207,100)	(1,207,100)	
Net income						5,370,323	5,370,323	
Purchase of treasury shares								(128)
Net changes of items other than shareholders' equity								
Total changes of items during the year	132,747	132,747	132,747	—	—	4,163,223	4,163,223	(128)
Balance at the end of the year	6,554,139	6,637,615	6,637,615	7,250	15,000	33,960,034	33,982,284	(128)

	Shareholders' equity	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	42,745,321	57,003	(4,224)	52,778	90,954	42,889,054
Changes of items during the year						
Issuance of new shares	265,494					265,494
Dividends from surplus	(1,207,100)					(1,207,100)
Net income	5,370,323					5,370,323
Purchase of treasury shares	(128)					(128)
Net changes of items other than shareholders' equity		13,329	1,763	15,093	(51,136)	(36,043)
Total changes of items during the year	4,428,589	13,329	1,763	15,093	(51,136)	4,392,546
Balance at the end of the year	47,173,911	70,332	(2,460)	67,871	39,818	47,281,601

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and methods for assets

1) Valuation basis and methods for securities

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

2) Valuation basis and method for derivatives

Derivatives	Stated at fair value

3) Valuation basis and methods for inventories

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

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

(2) Depreciation methods for non-current assets

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

(3) Recognition of allowances

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

	retirement benefit obligations as of the fiscal year-end. In calculating retirement benefit obligations, the portion of expected benefits attributed to the periods up to the fiscal year-end is determined using the benefit formula basis. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.
4) Provision for loss on rental business	To cover losses from sublease contracts, etc., provision for loss on rental business is provided in the amount of total rent and other payment obligations less expected total rental revenue, etc. from subleases.

(4) Other significant matters for preparing financial statements

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

2. Notes to non-consolidated balance sheet

(1) Assets pledged as security

(¥ thousand)

Details of pledged assets and the amounts	
Real estate for sale	43,417,765
Real estate for sale in process	10,717,994
Buildings	15,009,633
Land	18,755,471
Total	87,900,865
Amounts of securitized obligation	
Current portion of long-term loans payable	6,283,260
Long-term loans payable	66,853,583
Total	73,136,843

(2) Accumulated depreciation on property, plant and equipment ¥2,032,626 thousand

(3) Contingent liabilities

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

Tosei Revival Investment Co., Ltd.	¥729,640 thousand
Tosei Community Co., Ltd.	¥62,346 thousand

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

	(¥ thousand)
1) Short-term monetary receivables	33,685
2) Long-term monetary receivables	46,892
3) Short-term monetary payables	73,383
4) Long-term monetary payables	154,742

(5) Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment of ¥4,256,152 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 ¥4,884,154 thousand was transferred to property, plant and equipment due to the change in business policy.

3. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

	(¥ thousand)
1) Sales	179,438
2) Purchase amount	1,111,964
3) Other business turnover	74,578
4) Transaction volume other than business turnover	1,084,578

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

¥454,496 thousand

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

Class and total number of treasury shares

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	–	105	–	105

(Note) The increase in the number of treasury shares is due to the purchase of fractional shares.

5. Notes on tax effect accounting

Significant components of deferred tax assets and liabilities

(¥ thousand)

Deferred tax assets	
Current assets	
Accrued enterprise taxes, currently not deductible	60,212
Provision for bonuses	86,337
Other	50,013
Total	196,562
Non-current assets	
Provision for retirement benefits	112,358
Long-term accounts payable-other for directors	106,753
Dividends income as withdrawal of investments	315,966
Other	21,114
Total	556,192
Total deferred tax assets	752,755
Deferred tax liabilities	
Non-current liabilities	
Valuation difference on available-for-sale securities	(31,040)
Total	(31,040)
Total deferred tax liabilities	(31,040)
Net deferred tax assets	721,714

6. Notes on transactions with related parties

Subsidiaries and affiliates

Attribute	Name	Percentage of voting rights (%)	Business relationship	Transaction	Transaction amount (¥ thousand)	Account title	Balance at the end of the fiscal year (¥ thousand)
Subsidiary	Tosei Community Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	85,000	—	—
	Tosei Asset Advisors, Inc.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	350,000	—	—
	Tosei Revival Investment Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	175,000	—	—
	Urban Home Corporation	100% direct ownership	—	Receipt of dividends	50,000	—	—
	Four Big Corporation	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	398,913	—	—

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

7 Per share information

(1) Net assets per share ¥973.16

(2) Net income per share ¥110.79

8 Significant subsequent events

Not applicable.

9 Other

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

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Audit Report

January 17, 2019

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

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

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

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Tosei Corporation for the fiscal year from December 1, 2017 to November 30, 2018.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair

presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Conflicts of Interest

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

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

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Audit Report

January 17, 2019

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the balance sheet, the related statements of operations and changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules of Tosei Corporation for the 69th term from December 1, 2017 to November 30, 2018.

Management's Responsibility for the Non-consolidated Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

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

Opinion

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

Conflicts of Interest

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

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

Audit Report by Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 69th term (from December 1, 2017 to November 30, 2018), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

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

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

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

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

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

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

      iv) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit & Supervisory Board Member was notified by the Accounting Auditor

that it had established a “system to ensure that the performance of duties was properly conducted” (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

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

2. Results of Audit

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

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

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

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

January 18, 2019

Audit & Supervisory Board of Tosei Corporation

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

Yutaka Kitamura (Seal)

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

Hiroshi Nishinakama (Seal)

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

Tatsuki Nagano (Seal)

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

Osamu Doi (Seal)

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

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as shown below:

Year-end dividend

Taking into account such factors as our operating results for the fiscal year under review and our future business development, the Company proposes the year-end dividend for the 69th term as shown below.

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

   Dividends per ordinary share of the Company: ¥30
   Total amount of dividends: ¥1,456,340,850
3. Effective date of dividends from surplus: February 28, 2019

Proposal 2: Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Hiroshi Nishinakama will expire at the conclusion of the Meeting. Accordingly, we propose the election of one (1) Audit & Supervisory Board Member.
The Audit & Supervisory Board has given its approval to this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and positions in the Company (Important concurrent positions outside the Company)		Number of the Company's shares held
Hitoshi Yagi (Oct. 2, 1958)	Apr. 1982	Joined The Nippon Credit Bank, Ltd. (the predecessor of Aozora Bank, Ltd.)	–
	Apr. 1999	Head of Real Estate Research Office, Sales Strategy Division II of The Nippon Credit Bank, Ltd.	
	Aug. 2000	Senior Manager of Real Estate Finance Group, Investment Banks Division of The Nippon Credit Bank, Ltd.	
	Aug. 2004	Joint General Manager of Corporate Business Division V of The Nippon Credit Bank, Ltd.	
	Aug. 2009	Joint General Manager of Human Resources Division of The Nippon Credit Bank, Ltd.	
	Oct. 2011	Joint General Manager of Internal Audit Division of The Nippon Credit Bank, Ltd.	
≪Reasons for nomination as candidate for Outside Audit & Supervisory Board Member≫ Based on his abundant experience and specialist knowledge acquired at audit divisions of major financial institutions, we determined that Hitoshi Yagi can fulfill his responsibilities of securing adequacy and appropriateness in the Company's management, and elected him as a candidate for Outside Audit & Supervisory Board Member.			

(Notes) 1. Hitoshi Yagi is a newly selected candidate for Audit & Supervisory Board Member.
2. The candidate for Audit & Supervisory Board Member has no special interests in the Company.
3. Hitoshi Yagi is a candidate for Outside Audit & Supervisory Board Member. The Company intends to notify the Tokyo Stock Exchange of Hitoshi Yagi as independent director/auditor pursuant to the regulations of the said Exchange if he is elected as Audit & Supervisory Board Member.
Until January 2019, Hitoshi Yagi has served as a business executor of Aozora Bank, Ltd., which has transactions with the Company. However, after checking the scale of transactions, etc., we deemed that the level of independence of him as an Outside Audit & Supervisory Board Member is not affected as the Company's economic reliance on the said bank is low.
4. If Hitoshi Yagi is elected as Audit & Supervisory Board Member, the Company intends to conclude a contract for limitation of liability with him pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same Act, and limit his liability to the amount provided by relevant laws and regulations.

Proposal 3: Revision of Amount and Details of Stock Option Remuneration for Directors

At the 68th Ordinary General Meeting of Shareholders held on February 27, 2018, the policy of setting Directors' remuneration (not including salaries as employees for Directors concurrently serving as employees) to within ¥400 million per year was approved. In addition to this amount, at the 65th Ordinary General Meeting of Shareholders held on February 25, 2015, the policy of setting Directors' remuneration provided as stock options within ¥36 million per year, and the details of stock acquisition rights issued to Directors as stock options were approved. However, taking into consideration an increase in the number of Directors, as well as an increase in the proportion of remuneration linked to operating results and stock prices going forward, we propose to revise the amount of above remuneration provided as stock options to be within ¥100 million per year (including remuneration for Outside Directors of within ¥10 million), and request for the approval of our shareholders for this proposal. The details of the stock acquisition rights to be issued to Directors (including Outside Directors) as stock options are stated below.

The amount of remuneration as stock options is the amount calculated by multiplying the fair value per share of stock acquisition rights to be allotted by the total amount of stock acquisition rights to be allotted.

The current number of Directors is seven (7), including two (2) Outside Directors.

1. Reasons for issuing stock acquisition rights as Directors' remuneration

   Stock acquisition rights will be issued as stock options to Directors with the aim of further incentivizing Directors to improve the operating results and corporate value of the Company.

2. Details of stock acquisition rights

   (1) Class and number of shares delivered upon exercise of stock acquisition rights

   The maximum number of shares issued through the exercise of stock acquisition rights issued within one year from the day of each fiscal year's Ordinary General Meeting of Shareholders of the Company shall be 200,000 ordinary shares of the Company (including 20,000 shares for Outside Directors). The number of shares delivered upon the exercise of each stock acquisition right (hereinafter the "Number of Shares Granted") shall be 100 shares.

   If the Company conducts a stock split (including gratis allotment of shares) or a reverse stock split, the number of shares delivered upon exercise shall be adjusted according to the formula below. However, the relevant adjustments will only be made to the number of shares delivered upon exercise of stock acquisition rights not yet exercised at that point in time. Any fractional shares as a result of the adjustments shall be rounded.

   Number of shares after adjustment = Number of shares before adjustment × Ratio of stock split/reverse stock split

   If the Company conducts a merger, company split or share exchange, or in any other situation where adjustments are needed for the number of shares delivered upon exercise of the stock acquisition rights, the Company shall make adjustments as deemed necessary by the Company's Board of Directors.

   (2) Total number of stock acquisition rights

   The maximum number of stock acquisition rights issued within one year from the day of each fiscal year's Ordinary General Meeting of Shareholders of the Company shall be 2,000 (including 200 for Outside Directors).

   (3) Amount to be paid in for stock acquisition rights

   The amount to be paid in for each stock acquisition right shall be determined by the Company's Board of Directors based on the fair value of the stock acquisition right calculated when the stock acquisition right is allotted.

In addition, the person to whom the stock acquisition right is allotted shall, in place of payment in money, offset their payment obligation of stock acquisition rights against remuneration receivables that the person holds against the Company.

(4) Value of property to be contributed upon exercise of stock acquisition rights

The value of property to be contributed upon exercise of stock acquisition rights shall be money. The amount thereof shall be calculated by multiplying the monetary amount per share of shares issued upon exercise of stock acquisition rights (hereinafter the "Exercise Value") by the Number of Shares Granted.

The Exercise Value shall be the average closing price of the Company's ordinary shares in regular trading on the Tokyo Stock Exchange on each day (excluding non-trading days) during the month prior to the month in which the date of the stock acquisition rights allotment (hereinafter the "Allotment Date") falls, multiplied by 1.05 (fractions less than ¥1 are rounded up to the nearest yen). However, if the said amount is lower than the closing price on the Allotment Date (if it is a non-trading day, the closing price of the most recent trading day prior to that), the said closing price shall be the Exercise Value.

After the Allotment Date, in the case where it is appropriate to change the Exercise Value, such as due to a stock split or reverse stock split, the Company shall make adjustments as deemed necessary by the Company's Board of Directors (fractions less than ¥1 due to the adjustment shall be rounded up to the nearest yen).

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

This period shall be determined by the Company's Board of Directors, within the range of three years, starting from the date on which two years have elapsed from the date of resolution of a Board of Directors' meeting to determine the subscription requirements for stock acquisition rights.

(6) Terms and conditions for exercising stock acquisition rights

(a) 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 term in office or due to resignation at the request of the Company.

(b) Inheritance of stock acquisition rights shall not be permitted.

(c) Pledging of stock acquisition rights or any other disposition shall not be permitted.

(7) Limits on acquisition of stock acquisition rights by assignment

Any acquisition of the stock acquisition rights by assignment requires the approval of the Board of Directors of the Company.

(8) Other matters, etc. regarding stock acquisition rights

Other matters shall be determined at a meeting of the Board of Directors of the Company to determine the subscription requirements, etc. of stock acquisition rights.

Guide to Exercising Voting Rights via the Internet

If you exercise your voting rights via the Internet, please read and understand carefully the following matters.

If you intend to attend the Ordinary General Meeting of Shareholders, voting by postal mail (the Voting Form) or via the Internet is not necessary.

1. Voting website and exercising your voting rights

   (1) To exercise your voting rights via the Internet, please access the website designated by the Corporation (https://evote.tr.mufg.jp/) via a PC, a smartphone or a mobile phone (i-mode, EZweb or Yahoo! Keitai)*. Only by accessing this website you can exercise your voting rights via the Internet. (Please be advised that the website is not operational from 2:00 a.m. to 5:00 a.m. in Japan Standard Time.)
   * i-mode, EZweb and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI Corporation and Yahoo, Inc. U.S., respectively.

   (2) Please be aware that, depending on your Internet connection and PC environment, you may not be able to use your PC or smartphone to exercise your voting rights via the voting website (e.g. if you connect to the Internet via a firewall, have anti-virus software installed or use a proxy server, etc.).

   (3) To exercise your voting rights via a mobile phone, please use one of the following services: i-mode, EZweb or Yahoo! Keitai. For security reasons, the website is only compatible with mobile phones capable of SSL (encrypted) communication and transmission of mobile phone information.

   (4) Voting via the Internet is accepted until 6:00 p.m. on Tuesday, February 26, 2019 in Japan Standard Time. However, we respectfully request that you exercise your voting rights at your earliest convenience. If you have any questions, please contact the help desk.

2. Exercising your voting rights via the Internet

   (1) On the aforementioned voting website, you will be required to input the “Code for Exercise of Voting Rights” and the temporary password assigned to you. These are shown on the enclosed Voting Form. Please follow the instructions on the screen and indicate your vote for or against each proposal.

   (2) Please be aware that, in order to prevent illegal online access (spoofing) and alteration of voting by non-shareholders, you will be requested to change your temporary password on the aforementioned voting website.

   (3) You will be notified of a new “Code for Exercise of Voting Rights” and the temporary password every time a General Meeting of Shareholders is convened.

3. Handling of voting rights when they are exercised more than once

   (1) Please note that your voting via the Internet shall prevail, if you exercise your voting rights both by postal mail and via the Internet.

   (2) If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective. In addition, if you exercise your voting rights more than once using a PC, a smartphone and a mobile phone, only the last vote shall be deemed effective.

4. Fees incurred when accessing the voting rights website

   Any fees (connection fees to Internet providers, etc.) incurred when accessing the voting website shall be borne by shareholders. Similarly, if voting via a mobile phone, etc., any connection charges or other fees arising from the use of mobile phone, etc. shall be borne by shareholders.

5. Inquiries about the system for exercising voting rights via the Internet and other matters

   Stock Transfer Agency (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
   Phone: 0120-173-027 (9:00 to 21:00; toll free within Japan)