Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending November 30, 2020
<IFRS>

October 5, 2020

Company name: TOSEI CORPORATION Stock listing: TSE / SGX
Securities code number: 8923 / S2D
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Submission of Quarterly Securities Report (Shihanki-Houkokusho): October 9, 2020 (scheduled)
Commencement of dividend payments: —
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: No

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

1. Consolidated Financial Results for the Nine Months Ended August 31, 2020 (December 1, 2019 – August 31, 2020)

(1) Consolidated Operating Results (cumulative) (Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Nine months ended August 31, 2020	56,309	23.1	4,644	(60.0)	4,157	(62.8)	2,468	(67.7)
Nine months ended August 31, 2019	45,742	1.0	11,618	12.2	11,163	13.4	7,649	15.1

	Profit attributable to owners of the parent		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Nine months ended August 31, 2020	2,468	(67.7)	1,885	(75.9)	52.05	51.93
Nine months ended August 31, 2019	7,649	15.1	7,812	16.9	159.44	159.21

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	(¥ million)	(¥ million)	(¥ million)	(%)
As of August 31, 2020	159,892	57,749	57,749	36.1
As of November 30, 2019	161,894	58,306	58,306	36.0

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended November 30, 2019	–	0.00	–	42.00	42.00
Fiscal year ending November 30, 2020	–	0.00			
Fiscal year ending November 30, 2020 (Forecast)			–	16.00	16.00

Note: Revision to the most recently released dividend forecasts: Yes

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

(Percentages indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal year ending November 30, 2020	64,646	6.5	5,664	(55.4)	5,055	(58.2)	2,943	(65.2)	62.05

Note: Revision to the most recently released earnings forecasts: Yes

*** Notes**

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

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

(3) Number of issued shares (ordinary shares)

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

As of August 31, 2020	48,642,300 shares
As of November 30, 2019	48,595,300 shares

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

As of August 31, 2020	1,508,305 shares
As of November 30, 2019	1,008,805 shares

(c) Average number of outstanding shares during the period (cumulative)

Nine months ended August 31, 2020	47,432,445 shares
Nine months ended August 31, 2019	47,980,595 shares

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

* Proper use of earnings forecasts and other notes

The forward-looking statements, including outlook of future performance, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ substantially from these statements due to various factors. For the assumptions on which the earnings forecasts are based and cautions concerning the use thereof, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Qualitative Information Regarding Consolidated Earnings Forecasts” on page5 of the attached materials.

Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Operating Results

1) Recognition, analysis and contents for discussion of business environment and business performance

During the nine months ended August 31, 2020, the Japanese economy continued to face a harsh environment due to the impact of COVID-19. Although there have recently been signs of a partial recovery, it is necessary to continue monitoring the effects of the pandemic on the domestic and overseas economies, movements in the financial market and the friction between the United States and China.

In the real estate industry where Tosei Group operates, commercial real estate transactions for the first half of 2020, from January to June, decreased 14% year on year to ¥1.9 trillion. Although many investors have adopted a circumspect attitude due to the impact from COVID-19, appetite for investment among investors is high against a backdrop of low interest rates worldwide, and real estate transactions are gradually being resumed. Interest is particularly growing in logistics facilities and residential properties where there is minimal impact from COVID-19 (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of newly supplied units from January to July 2020 decreased 38% year on year to 9,500 units. Although the number of units newly offered for sale increased in July as a reaction to falling sharply in April and May in particular due to voluntary sales restraints under the state of emergency, the environment continues to be harsh. On the other hand, in the build-for-sale detached house market, housing starts from January to July 2020 numbered 36,000 units, a decrease of only 1.8% year on year (according to a survey by a private research institute).

In the office leasing market of Tokyo's five business wards, the vacancy rate started rising from March 2020, bringing the average vacancy rate as of July 2020 to 2.77% (an increase of 1.06 percentage points year on year). However, the average asking rent was ¥23,014 per tsubo (1 tsubo = 3.30 square meters) (an increase of ¥1,349 year on year), rising for the 79th consecutive month. New construction and floor expansion associated with business growth are expected to slow down for the time being due to concerns over the economic outlook, and the future trend in supply and demand needs to be monitored (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock in July 2020 amounted to 6.14 million tsubo (an increase of 13.5% year on year). The vacancy rate of 0.4% is at the lowest level since surveys began in 2008, amid continued tight supply relative to demand. Going forward, the vacancy rate is expected to remain low, partly due to the growing use of e-commerce and the need for companies to increase their volume of inventory (according to a survey by a private research institute).

In the real estate fund market, although the market scale is gradually expanding, the value of property acquisitions by J-REITs from January to July 2020 was only ¥0.7 trillion (a decrease of 21.6% year on year), and J-REIT assets under management in July totaled ¥19.7 trillion (an increase of ¥0.9 trillion year on year). Combined with ¥20.2 trillion in assets under management in private placement funds as of December 2019, the real estate securitization market scale amounted to ¥39.9 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, the guest room occupancy rate in May 2020 fell to 14.6% (from 82.4% in the same period of the previous fiscal year). The total number of hotel guests in Tokyo encompassing all types of accommodation from January to May 2020 amounted to 14.82 million overnight stays (a decrease of 45.8% year on year). The number of foreign tourists visiting Japan declined steeply due to travel restrictions caused by COVID-19, and the environment is forecasted to remain harsh for the time being (according to a survey by the Japan Tourism Agency).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of condominiums, detached houses and logistics facilities. However, at the end of the second quarter of the fiscal year under review, the Group recorded a valuation loss in real estate held for sale, mainly concerning hotel facilities and commercial facilities, for which the risk of a decline in market prices is especially high.

As a result, consolidated revenue for the nine months ended August 31, 2020 totaled ¥56,309 million (up 23.1% year on year), operating profit was ¥4,644 million (down 60.0%), profit before tax was ¥4,157 million (down 62.8%), and profit for the period was ¥2,468 million (down 67.7%).

Performance by business segment is shown below.

Revitalization Business

During the nine months ended August 31, 2020, the segment sold 40 properties which had been renovated, including Kagurazaka Plaza Building (Shinjuku-ku, Tokyo), T's garden Kita-Kashiwa (Kashiwa-shi, Chiba), Dai-Nippon Consultant Building (Toshima-ku, Tokyo). In addition, the segment sold four units in the Restyling Business from Ecology Ochiai Residence (Shinjuku-ku, Tokyo), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and others.

During the nine months ended August 31, 2020, it also acquired a total of 21 income-generating office buildings and apartments for renovation and sales purposes, and seven land lots.

In addition, the Group reviewed the valuation of its income-generating properties in view of the impact of COVID-19, and revalued some properties at net realizable value in accordance with the provisions of IAS 2 "Inventories." As a result, cost of revenue was increased by regarding valuation loss of ¥1,457 million.

As a result, revenue in this segment was ¥30,329 million (up 33.6% year on year) and the segment profit was ¥5,772 million (down 28.0%).

Development Business

During the nine months ended August 31, 2020, the segment focused on the sale of newly built condominium and detached houses for which there was firm demand. The segment sold 243 units at THE Palms Sagamihara Park Brightia (Sagamihara-shi, Kanagawa) in newly build condominium and sold 44 detached houses at such properties as THE Palms Court Kokubunji Koigakubo (Kokubunji-shi, Tokyo) and THE Palms Court Funabashihoten (Funabashi-shi, Chiba). In addition, the segment sold one logistics facility, one commercial facility and two land lots.

During the nine months ended August 31, 2020, it also acquired one land lot for apartment project, one land lot for commercial facility project and land lots for 35 detached houses.

In addition, in the Development Business, the Group reviewed the valuation of its income-generating properties in view of the impact of COVID-19, and revalued some properties at net realizable value in accordance with the provisions of IAS 2 "Inventories." As a result, cost of revenue was increased by regarding valuation loss of ¥6,223 million.

As a result, revenue in this segment was ¥14,286 million (up 15.8% year on year) and the segment loss was ¥3,855 million (in comparison with segment profit of ¥1,640 million in the same period of the previous fiscal year).

Rental Business

During the nine months ended August 31, 2020, while the segment sold 18 buildings of its inventory assets held for leasing purposes, it newly acquired 14 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its holding non-current assets and inventory assets.

As a result, revenue in this segment was ¥4,247 million (down 3.8% year on year) and the segment profit was ¥1,678 million (down 6.8%).

Fund and Consulting Business

During the nine months ended August 31, 2020, while ¥147,306 million was added due to new asset management contracts, ¥28,325 million was subtracted due mainly to property dispositions by funds, from the balance of assets under management (Note) ¥846,478 million for the end of the previous fiscal year. The balance of assets under management as of August 31, 2020, was ¥965,459 million.

As a result, revenue in this segment was ¥3,697 million (up 82.6% year on year) and the segment profit was ¥2,676 million (up 155.5%).

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

Property Management Business

During the nine months ended August 31, 2020, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 692 as of August 31, 2020, an increase of 45 from August 31, 2019, with the total comprising 444 office buildings, hotels, schools and other such properties, and 248 condominiums and apartments.

As a result, revenue in this segment was ¥3,424 million (down 0.3% year on year) and segment profit was ¥558 million (up 31.4%).

Hotel Business

Revenue and segment profit or loss for the nine months ended August 31, 2020 were both significantly lower than forecasted, because the Group temporarily closed existing hotels, Tosei Hotel COCONE Kanda and Tosei Hotel COCONE Ueno, responding to the suppression of economic activities and the local government's request to suspend operations due to the global spread of COVID-19.

As a result, revenue in this segment was ¥324 million (down 61.1% year on year) and segment loss was ¥733 million (in comparison with segment profit of ¥122 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

The Group performed steadily in the three months ended February 29, 2020; however, business activities from the second quarter were voluntarily curtailed against the backdrop of the spread of COVID-19. Although deliveries of properties for which sales contracts had been completed progressed as planned, economic activities decreased due to the worldwide deterioration in the business climate. In acquisition of properties, we made efforts to tighten investment standards and maintain an inventory balance and financial soundness in preparation for the future deterioration of the real estate market. Furthermore, at the end of the second quarter, the Group made a conservative valuation of real estate held for sale, for which there is a risk of a decline in market prices, and recorded a valuation loss of ¥7,680 million, mainly concerning hotel facilities and commercial facilities, thereby optimizing the pricing levels of existing inventory.

In the third quarter, real estate transactions are gradually showing signs of recovery, including among domestic and overseas institutional investors who have a strong appetite to acquire real estate. Although market prices have only been subject to minor adjustments so far, the market sentiment among mixed of strength and weakness, and Tosei is resuming purchasing and sales activities while carefully monitoring trends in the real estate investment market. In addition, we also proceeded with proactive initiatives for growth, including in the Fund and Consulting Business and in the Property Management Business, with a view to increasing earnings in stable businesses that are not easily affected by market conditions.

As a result of these business activities, consolidated revenue for the nine months ended August 31, 2020 totaled ¥56,309 million (up 23.1% year on year), profit before tax was ¥4,157 million (down 62.8%), and profit for the period was ¥2,468 million (down 67.7%).

Although the operating environment is such that it is not yet possible to predict when the COVID-19 epidemic will come to an end, Tosei is continuing to expand its purchasing activities for future growth, and is striving to recover its real estate sales and acquisitions business while ensuring sufficient liquidity on hand and financial soundness.

(2) Qualitative Information Regarding Consolidated Financial Positions

1) Analysis of Financial Positions

As of August 31, 2020, total assets were ¥159,892 million, a decrease of ¥2,001 million compared with November 30, 2019, while total liabilities were ¥102,142 million, a decrease of ¥1,445 million.

Main factors of decrease of total assets were due to a decrease in inventories despite an increase in cash and cash equivalents and an increase in investment properties. Main factors of decrease of total liabilities were due to a decrease in trade and other payables and income tax liabilities despite an increase in borrowings.

Total equity decreased by ¥556 million to ¥57,749 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

2) Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") as of August 31, 2020 totaled ¥35,826 million, increased ¥3,827 million compared with November 30, 2019.

The cash flows for the nine months ended August 31, 2020 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥10,858 million (in comparison with segment net cash

used in operating activities of ¥2,997 million in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥4,157 million, a decrease in inventories of ¥8,723 million and income taxes paid of ¥3,050 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥4,258 million (in comparison with segment net cash used in investing activities of ¥358 million in the same period of the previous fiscal year). This is primarily due to purchase of investment properties of ¥3,239 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥2,771 million (in comparison with segment net cash provided by financing activities of ¥9,585 million in the same period of the previous fiscal year). This mainly reflects ¥31,988 million in proceeds from non-current borrowings despite ¥29,991 million in the repayments of non-current borrowings, ¥1,996 million in cash dividends paid and ¥499 million in the purchase of treasury shares.

(3) Qualitative Information Regarding Consolidated Earnings Forecasts

Based on recent performance trends, we have revised the full-year earnings forecasts for the fiscal year ending November 30, 2020, announced on July 6, 2020, as follows:

In the Revitalization Business, the gross profit margin is expected to be higher in the third and fourth quarters. In the Fund and Consulting Business, the balance of assets under management reached ¥1 trillion in September 2020 due to the acquisition of asset management contracts for new large projects, and the Company anticipates acquisition fees and other fees associated with these contracts. These factors have been incorporated into the earnings forecasts.

As a result, while the full-year revenue forecast remains largely unchanged, the Company revised the full-year operating profit forecast to ¥5,664 million, up ¥983 million from the previous announcement, the full-year profit before tax forecast to ¥5,055 million, up ¥985 million, and the full-year profit for the year forecast to ¥2,943 million, up ¥531 million.

The forward-looking statements contained in these materials, including forecasts of the future performance, are based on the information available to the Company as of the date of announcement and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ from these forecasts due to various factors.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No item to report.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

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

Changes in Accounting Policies

The Group applied the following standards effective from the first quarter of the fiscal year ending November 30, 2020.

Standard	Name of standard	Overview of new establishment and amendment
IFRS 16	Leases	Replacement of IAS 17 with IFRS 16 regarding lease accounting

The Group implemented IFRS 16 ‘Leases’ as of December 1, 2019. The Group applied this standard, which is recognized as a transitional measure, with the cumulative effect of initially applying this standard recognized at the date of initial application. In applying IFRS 16, the Group uses a practical

expedient, in which an entity is not required to reassess whether a contract is or contains a lease at date of initial application, and the Group also uses practical expedients to the contracts that were previously identified as operating leases stipulated in the previous accounting standard.

For leases that the Group as lessee previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities were recognized at the date of initial application. Lease liabilities have been measured at the present value of outstanding lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rate is 1.06% to 1.10%. Right-of-use assets are initially measured at the initial measurement amount of the lease liability. The Group has elected the exemptions from recognition that allow a lessee not to apply the requirements of IFRS 16 to short-term leases (with a lease term of 12 months or less) and leases for low-value assets.

For leases that The Group as lessee previously classified as finance leases applying IAS 17, the book value of right-of-use assets and lease liabilities at the date of initial application were the book value of lease assets and lease liabilities, respectively, immediately before the date measured applying IAS 17.

Right-of-use asset is included in "Property, plant and equipment" and "Investment properties" in the condensed quarterly consolidated statement of financial position. The lease liability is included in "Borrowings" in the condensed quarterly consolidated statement of financial position.

The following is a reconciliation of non-cancellable operating lease contracts applying IAS 17 as of November 30, 2019 and lease liabilities recognized in the Condensed Consolidated Statement of Financial Position at the date of initial application.

	(¥ thousand)
Non-cancellable operating lease contracts	1,052,331
Finance lease liabilities	27,840
Cancellable operating lease contracts, etc.	154,467
Lease liabilities as of December 1, 2019	1,234,639

Right-of-use assets additionally recognized at the beginning of the current fiscal year were ¥1,206,799 thousand. There was no material impact on profit and loss of the third quarter of the current fiscal year from the changes.

(3) Additional information

Impact of COVID-19 on Tosei's Financial Results

During the second quarter ended May 31, 2020, due to the spread of COVID-19 and the resulting stagnation of economic activity, it is expected that the liquidity of income-generationg real estate will decline and the risk premium will rise. The Group reviewed the valuation of real estate for sale and real estate for sale in process such as hotels and commercial facilities etc. As a result, the Group recorded loss on valuation of inventories (cost of revenue) of ¥7,680 million. Regarding the impact in each segment, valuation loss amounted to ¥1,457 million in the Revitalization Business and ¥6,223 million in the Development Business.

The impact of COVID-19, it is difficult to accurately grasp the timing of convergence, etc., but assuming that the economic environment will gradually recover and demand will gradually normalize from the fiscal year ending November 2021, the Group made accounting estimate of inventory valuation, impairment losses on fixed assets and recoverability of deferred tax assets etc.

3. Condensed Quarterly Consolidated Financial Statements and notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	As of November 30, 2019	As of August 31, 2020
Assets		
Current assets		
Cash and cash equivalents	31,998,929	35,826,440
Trade and other receivables	3,747,782	3,327,506
Inventories	73,573,663	64,948,195
Other current assets	13,247	16,408
Total current assets	109,333,622	104,118,550
Non-current assets		
Property, plant and equipment	8,671,827	8,744,497
Investment properties	37,868,133	41,393,112
Intangible assets	87,760	216,303
Trade and other receivables	1,102,277	714,438
Other financial assets	4,252,691	4,268,592
Deferred tax assets	573,729	432,594
Other non-current assets	4,014	4,014
Total non-current assets	52,560,434	55,773,553
Total assets	161,894,056	159,892,103
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,448,300	5,383,308
Borrowings	16,291,247	8,649,043
Current income tax liabilities	1,658,894	357,882
Provisions	655,782	321,074
Total current liabilities	25,054,225	14,711,308
Non-current liabilities		
Trade and other payables	3,761,836	3,441,924
Borrowings	73,552,021	82,737,997
Retirement benefits obligations	521,213	529,601
Provisions	6,971	7,182
Deferred tax liabilities	691,288	714,199
Total non-current liabilities	78,533,331	87,430,906
Total Liabilities	103,587,557	102,142,215
Equity		
Share capital	6,579,844	6,603,767
Capital reserves	6,575,240	6,607,403
Retained earnings	45,839,423	46,309,525
Treasury shares	(1,000,037)	(1,500,002)
Other components of equity	312,028	(270,805)
Total equity attributable to owners of parent	58,306,499	57,749,888
Total equity	58,306,499	57,749,888
Total liabilities and equity	161,894,056	159,892,103

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(¥ thousand)

	Nine months ended August 31, 2019	Nine months ended August 31, 2020
Revenue	45,742,345	56,309,557
Cost of revenue	28,123,963	45,066,936
Gross profit	17,618,381	11,242,620
Selling, general and administrative expenses	6,050,454	6,574,576
Other income	62,418	48,772
Other expenses	12,323	72,057
Operating profit	11,618,021	4,644,758
Finance income	101,810	107,903
Finance costs	556,595	595,656
Profit before tax	11,163,236	4,157,004
Income tax expense	3,513,343	1,688,270
Profit for the period	7,649,892	2,468,734
Other comprehensive income		
Other comprehensive income items that will not be reclassified to profit or loss		
Net change in financial assets measured at fair values through other comprehensive income	199,526	(567,898)
Subtotal	199,526	(567,898)
Other comprehensive income items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(16,916)	(7,105)
Net change in fair values of cash flow hedges	(20,307)	(7,828)
Subtotal	(37,223)	(14,934)
Other comprehensive income for the period, net of tax	162,303	(582,833)
Total comprehensive income for the period	7,812,195	1,885,900
Profit attributable to:		
Owners of the parent	7,649,892	2,468,734
Total comprehensive income attributable to:		
Owners of the parent	7,812,195	1,885,900
Earnings per share attributable to owners of the parent		
Basic earnings per share (¥)	159.44	52.05
Diluted earnings per share (¥)	159.21	51.93

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(¥ thousand)

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

Nine months ended August 31, 2020 (December 1, 2019 – August 31, 2020)

(¥ thousand)

	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2019	6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499	58,306,499
Profit for the period			2,468,734			2,468,734	2,468,734
Other comprehensive income					(582,833)	(582,833)	(582,833)
Total comprehensive income for the period	—	—	2,468,734	—	(582,833)	1,885,900	1,885,900
Amount of transactions with owners							
Issuance of new shares	23,923	13,513				37,436	37,436
Purchase of treasury shares		(7,232)		(499,965)		(507,197)	(507,197)
Dividends of surplus			(1,998,632)			(1,998,632)	(1,998,632)
Share-based payment		25,882				25,882	25,882
Balance at August 31, 2020	6,603,767	6,607,403	46,309,525	(1,500,002)	(270,805)	57,749,888	57,749,888

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Nine months ended August 31, 2019	Nine months ended August 31, 2020
Cash flows from operating activities		
Profit before tax	11,163,236	4,157,004
Depreciation expense	652,310	892,182
Increase (decrease) in provisions and retirement benefits obligations	(255,633)	(326,605)
Interest and dividend income	(101,810)	(107,903)
Interest expenses	556,595	595,656
Decrease (increase) in trade and other receivables	279,133	1,341,562
Decrease (increase) in inventories	(12,646,359)	8,723,213
Increase (decrease) in trade and other payables	1,178,475	(1,545,563)
Other, net	2,740	27,456
Subtotal	828,689	13,757,003
Interest and dividend income received	101,810	152,796
Income taxes paid	(3,928,350)	(3,050,909)
Net cash from (used in) operating activities	(2,997,850)	10,858,890
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	20,000	—
Purchase of property, plant and equipment	(46,969)	(157,034)
Purchase of investment properties	(326,969)	(3,239,248)
Purchase of intangible assets	(15,961)	(144,673)
Payments of loans receivable	(126,730)	—
Collection of loans receivable	11,351	109,836
Purchase of other financial assets	(51,920)	(939,300)
Collection of other financial assets	6,914	111,266
Proceeds from sales of other financial assets	151,509	—
Other, net	20,413	300
Net cash from (used in) investing activities	(358,360)	(4,258,853)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	557,000	(1,450,000)
Proceeds from non-current borrowings	32,199,845	31,988,865
Repayments of non-current borrowings	(20,003,632)	(29,991,915)
Repayments of lease obligations	(2,841)	(191,586)
Proceeds from issuance of new shares	9,703	37,302
Cash dividends paid	(1,454,872)	(1,996,678)
Purchase of treasury shares	(999,909)	(499,965)
Interest expenses paid	(720,015)	(667,862)
Net cash from (used in) financing activities	9,585,277	(2,771,840)
Net increase (decrease) in cash and cash equivalents	6,229,066	3,828,197
Cash and cash equivalents at beginning of period	26,520,569	31,998,929
Effect of exchange rate change on cash and cash equivalents	(1,542)	(685)
Cash and cash equivalents at end of period	32,748,094	35,826,440

(5) Notes on Going Concern Assumption

No item to report.

(6) Notes on Condensed Quarterly Consolidated Financial Statements

1. Segment Information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance.

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", "Property Management Business" and "Hotel Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services. The Hotel Business provides mainly hotel operating services.

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

Nine months ended August 31, 2019

(December 1, 2018 – August 31, 2019)

(¥ thousand)

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

Nine months ended August 31, 2020
(December 1, 2019 – August 31, 2020)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	30,329,071	14,286,932	4,247,115	3,697,981	3,424,307	324,148	—	56,309,557
Intersegment revenue	—	—	37,142	77,930	845,800	1,480	(962,352)	—
Total	30,329,071	14,286,932	4,284,258	3,775,911	4,270,107	325,628	(962,352)	56,309,557
Segment profit or loss	5,772,364	(3,855,834)	1,678,239	2,676,685	558,626	(733,629)	(1,451,694)	4,644,758
Finance income/costs, net								(487,753)
Profit before tax								4,157,004

2. Dividends

Dividends paid in the nine months ended August 31, 2019 and August 31, 2020 are as follows:

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

Nine months ended August 31, 2020				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 26, 2020	42	1,998,632	November 30, 2019	February 27, 2020

3. Earnings per Share

	Nine months ended August 31, 2019	Nine months ended August 31, 2020
Profit attributable to owners of the parent (¥ thousand)	7,649,892	2,468,734
Net income used to figure diluted net income per share (¥ thousand)	7,649,892	2,468,734
Weighted average number of outstanding ordinary shares (shares)	47,980,595	47,432,445
The number of increased ordinary shares used to figure diluted earnings per share (shares)	69,692	107,737
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	48,050,287	47,540,182
Basic earnings per share (¥)	159.44	52.05
Diluted net income per share (¥)	159.21	51.93

(7) Notes on Significant Subsequent Events

No item to report.