

Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the third quarter of the 71th term)

from June 1, 2020
to August 31, 2020

TOSEI CORPORATION

4-2-3, Toranomon, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on October 9, 2020. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

Table of Contents

Cover

A. Company Information	1
I. Overview of the Tosei Group.....	1
1. Trends in principal management benchmarks	1
2. Business description	1
II. Review of operations	2
1. Business and other risks	2
2. Management analysis of financial position, operating results and cash flows	2
3. Important operational contracts, etc.	5
III. Filing company.....	6
1. Information on the Company (Tosei)'s shares, etc.....	6
(1) Total number of authorized shares, etc.	6
(2) Status of stock acquisition rights	6
(3) Exercise of bond certificates with stock acquisition rights with exercise price amendment clause	6
(4) Trends in total number of issued shares, share capital, etc.	6
(5) Status of major shareholders	6
(6) Status of voting rights	7
2. Status of Officers	8
IV. Accounting.....	9
1. Condensed Quarterly Consolidated Financial Statements.....	10
(1) Condensed Quarterly Consolidated Statement of Financial Position	10
(2) Condensed Quarterly Consolidated Statement of Comprehensive Income	11
(3) Condensed Quarterly Consolidated Statement of Changes in Equity.....	13
(4) Condensed Quarterly Consolidated Statement of Cash Flows	14
(5) Notes on Condensed Quarterly Consolidated Financial Statements	15
2. Other	23
B. Information on Guarantee Companies, etc. of Filing Company	24

[Quarterly Review Report of Independent Auditors]

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

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	70th term First nine months	71st term First nine months	70th term
Accounting period	From December 1, 2018 to August 31, 2019	From December 1, 2019 to August 31, 2020	From December 1, 2018 to November 30, 2019
Revenue (¥ thousand) [Third quarter of the current fiscal year]	45,742,345 [11,289,659]	56,309,557 [11,259,235]	60,727,704
Profit before tax (¥ thousand)	11,163,236	4,157,004	12,090,095
Profit attributable to owners of the parent (¥ thousand) [Third quarter of the current fiscal year]	7,649,892 [2,409,906]	2,468,734 [1,321,127]	8,447,032
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	7,812,195	1,885,900	8,684,946
Total equity (¥ thousand)	57,394,719	57,749,888	58,306,499
Total assets (¥ thousand)	157,181,063	159,892,103	161,894,056
Basic earnings per share (¥) [Third quarter of the current fiscal year]	159.44 [50.69]	52.05 [27.98]	176.40
Diluted earnings per share (¥)	159.21	51.93	175.83
Ratio of equity attributable to owners of the parent to total assets (%)	36.5	36.1	36.0
Net cash from (used in) operating activities (¥ thousand)	(2,997,850)	10,858,890	(3,799,892)
Net cash from (used in) investing activities (¥ thousand)	(358,360)	(4,258,853)	(2,133,119)
Net cash from (used in) financing activities (¥ thousand)	9,585,277	(2,771,840)	11,412,129
Cash and cash equivalents at end of period (¥ thousand)	32,748,094	35,826,440	31,998,929

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the nine months ended August 31, 2020, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

With respect to changes in principal subsidiaries and affiliates, Tosei Hotel Kanda Co., Ltd. and Tosei Hotel Makuhari Co., Ltd. merged with Tosei Hotel Management Co., Ltd. as of April 1, 2020 and have disappeared.

In addition, CSC Co., Ltd. had been excluded from the scope of consolidation due to the completion of liquidation on May 25, 2020.

II. Review of operations

1. Business and other risks

Commencing from the quarterly securities reports related to the fiscal year ending November 30, 2020, the Group has applied the provisions in Caution (7) stated in Form 4-3 of the “Cabinet Office Order on Disclosure of Corporate Affairs” as amended pursuant to the “Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs” (Cabinet Office Order No. 3, 2019).

There was the following additional matter newly arose “Business risks” described in the securities report for the previous fiscal year during the nine months ended August 31, 2020. Forward-looking statements included in this section are judged by information available to the Group’s management as of August 31, 2020.

The global spread of COVID-19 suppressed economic activities and had local governments request some companies and business owners to suspend operation, which may affect the financial position and operating results of Tosei Group.

2. Management analysis of financial position, operating results and cash flows

Commencing from the quarterly securities reports related to the fiscal year ending November 30, 2020, the Group has applied the provisions in Caution (8) stated in Form 4-3 of the “Cabinet Office Order on Disclosure of Corporate Affairs” as amended pursuant to the “Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs” (Cabinet Office Order No. 3, 2019).

Forward-looking statements included in this section are judged by the Group’s management as of August 31, 2020.

(1) Recognition, analysis and contents for discussions of the Group’s operating results from the viewpoint of management

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) 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.

(3) 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.

(4) Operational and financial issues to be addressed

During the nine months ended August 31, 2020, there was no significant change in issues to be addressed by the Tosei Group.

The Group has set the basic policy regarding the persons who control the decision-making on the financial and business policies of the Company, but there have been no material changes during the cumulative quarter after the date of submission of the securities report in the previous fiscal year.

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

No important operational contracts, etc. were determined or entered into during the third quarter of the fiscal year under review.

III. Filing company

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

(1) Total number of authorized shares, etc.

1) Total number of authorized shares

Class	Total number of authorized shares
Ordinary shares	150,000,000
Total	150,000,000

2) Number of shares issued

Class	Number of issued shares (Shares: as of August 31, 2020)	Number of issued shares (Shares: as of the date of filing: October 9, 2020)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,642,300	48,644,300	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,642,300	48,644,300	—	—

Note: Shares issued through the exercise of stock acquisition rights between October 1, 2020 and the submission date of this Quarterly Securities Report are not included under "Number of shares issued."

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

2) Details of other stock acquisition rights, etc.

No item to report.

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

No item to report.

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

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From June 1, 2020 to August 31, 2020	7,000	48,642,300	3,563	6,603,767	3,563	6,687,242

Note : The increases were due to the exercise of stock option.

(5) Status of major shareholders

There is no item to report due to the reporting period being a third quarter of a fiscal year.

(6) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of May 31, 2020, which is the latest record date, as the information as of August 31, 2020 is not yet available.

1) Issued shares

(As of August 31, 2020)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 1,301,200	—	—
Shares with full voting rights (Other)	Ordinary shares 47,329,600	473,296	—
Shares less than one unit	Ordinary shares 4,500	—	—
Total number of issued shares	48,635,300	—	—
Voting rights owned by all shareholders	—	473,296	—

- Note: 1. The number of “Shares with full voting rights (Other)” includes 400 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 4 units of voting rights related to shares with full voting rights in its name.
2. Number of ordinary shares in “Shares less than one unit” includes 5 shares of treasury shares.

2) Treasury shares, etc.

(As of August 31, 2020)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
(Treasury shares held) TOSEI CORPORATION	4-2-3, Toranomon, Minato-ku, Tokyo, Japan	1,301,200	—	1,301,200	2.67
Total	—	1,301,200	—	1,301,200	2.67

Note: At the board of directors meeting held on April 6, 2020, the Company resolved the acquisition of treasury shares from April 8, 2020 to October 31, 2020, and the Company acquired 499,500 treasury shares. As a result, the total number of treasury shares was 1,508,305 shares as of August 31, 2020. And the acquisition has ended on July 7, 2020.

2. Status of Officers

There was change in Officers during the nine months ended August 31, 2020 after the filing date of annual securities report for the previous fiscal year is as follows.

Change of position

New Post	Old Post	Name	Date of Change
Director, Executive Officer in charge of Finance Department and General Affairs Department	Director, Executive Officer in charge of M&A・Group Strategy Department and General Affairs Department	Shunsuke Yamaguchi	March 1, 2020
Director, Executive Officer in charge of Finance Department, General Affairs Department and DX Promotion Department	Director, Executive Officer in charge of Finance Department and General Affairs Department		June 1, 2020

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the third quarter of the fiscal year ending November 30, 2020 (from June 1, 2020 to August 31, 2020) and for the first nine months of the fiscal year ending November 30, 2020 (from December 1, 2019 to August 31, 2020) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2019	As of August 31, 2020
Assets			
Current assets			
Cash and cash equivalents	10	31,998,929	35,826,440
Trade and other receivables	10	3,747,782	3,327,506
Inventories	6	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	10	1,102,277	714,438
Other financial assets	10	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	10	6,448,300	5,383,308
Borrowings	10	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	10	3,761,836	3,441,924
Borrowings	10	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
Nine months ended August 31, 2020

(¥ thousand)

	Notes	Nine months ended August 31, 2019	Nine months ended August 31, 2020
Revenue	5,7	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	5	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 (¥)	9	159.44	52.05
Diluted earnings per share (¥)	9	159.21	51.93

Third quarter ended August 31, 2020

(¥ thousand)

	Notes	Third quarter ended August 31, 2019	Third quarter ended August 31, 2020
Revenue	5	11,289,659	11,259,235
Cost of revenue		5,636,082	6,849,605
Gross profit		5,653,577	4,409,630
Selling, general and administrative expenses		2,001,411	1,914,588
Other income		5,765	27,974
Other expenses		4,435	48,735
Operating profit	5	3,653,496	2,474,279
Finance income		60,554	10,397
Finance costs		185,649	218,561
Profit before tax		3,528,400	2,266,115
Income tax expense		1,118,493	944,988
Profit for the period		2,409,906	1,321,127
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		107,615	(25,030)
Subtotal		107,615	(25,030)
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(7,014)	4,527
Net change in fair values of cash flow hedges		(21,078)	(7,164)
Subtotal		(28,093)	(2,636)
Other comprehensive income for the period, net of tax		79,522	(27,667)
Total comprehensive income for the period		2,489,428	1,293,459
Profit attributable to:			
Owners of the parent		2,409,906	1,321,127
Total comprehensive income attributable to:			
Owners of the parent		2,489,428	1,293,459
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	50.69	27.98
Diluted earnings per share (¥)	9	50.60	27.97

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(¥ thousand)

	Notes	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	8			(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)

	Notes	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	8			(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)

	Notes	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 Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the “Company”) is a share company located in Japan whose shares are listed on the First Section of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company’s condensed quarterly consolidated financial statements for the third quarter (June 1, 2020 to August 31, 2020) and first nine months (December 1, 2019 to August 31, 2020) have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the “Group”). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in “5. Segment information” in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a “Designated International Financial Reporting Standards specified company” as provided in Article 1-2 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007), its condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

These condensed quarterly consolidated financial statements were approved by Seichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on October 6, 2020.

(2) Basis of measurement

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

(3) Presentation currency and unit amount

The condensed quarterly consolidated financial statements in this report are presented in Japanese yen, the Company’s functional currency. All financial information presented in Japanese yen is rounded down to the nearest thousand yen.

3. Significant accounting policies

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 carrying amounts of lease assets and lease liabilities, respectively, immediately before the date measured applying IAS 17.

Right-of-use assets 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.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the condensed quarterly consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change will affect.

(Additional information)

Impact of COVID-19 on Tosei's Financial Results

During the second quarter, due to the spread of COVID-19 and the resulting stagnation of economic activity, it is expected that the liquidity of income-generating 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 ¥7,680,946 thousand. Regarding the impact in each segment, valuation loss amounted to ¥1,457,481 thousand in the Revitalization Business and ¥6,223,465 thousand 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.

5. 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)

	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)

	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

Third quarter ended August 31, 2019

(June 1, 2019 – 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	5,625,768	2,106,839	1,481,943	715,646	1,116,812	242,649	—	11,289,659
Intersegment revenue	—	—	13,099	5,124	346,318	950	(365,493)	—
Total	5,625,768	2,106,839	1,495,043	720,770	1,463,131	243,599	(365,493)	11,289,659
Segment profit or loss	2,986,188	99,046	618,953	357,499	135,979	(9,056)	(535,114)	3,653,496
Finance income/costs, net								(125,095)
Profit before tax								3,528,400

Third quarter ended August 31, 2020

(June 1, 2020 – 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	2,649,576	4,373,785	1,512,322	1,517,488	1,151,020	55,041	—	11,259,235
Intersegment revenue	—	—	11,518	71,892	285,517	450	(369,378)	—
Total	2,649,576	4,373,785	1,523,840	1,589,381	1,436,537	55,491	(369,378)	11,259,235
Segment profit or loss	207,132	865,103	639,343	1,195,716	203,933	(274,757)	(362,192)	2,474,279
Finance income/costs, net								(208,163)
Profit before tax								2,266,115

6. Inventories

The amount of loss on valuation of inventory and the amount of reversal of valuation loss recognized as expenses are as follows:

(¥ thousand)

	Nine months ended August 31, 2019	Nine months ended August 31, 2020
The amount of loss on valuation	32,315	7,682,876
The amount of reversal of valuation loss	21,854	54,128

7. Sales Revenue

Composition of revenue recognized from contracts with customers are as follows:

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”.

The relationship between the sales revenue of each reportable segment and the sales revenue classified according to type is shown below.

Nine months ended August 31, 2019

(December 1, 2018 – August 31, 2019)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	22,701,567	12,333,730	—	—	—	—	35,035,297
Revenue from services	—	—	459,420	2,003,300	3,433,982	732,715	6,629,418
Revenue recognized from other sources	—	—	3,956,581	21,345	—	99,701	4,077,628
Total	22,701,567	12,333,730	4,416,001	2,024,646	3,433,982	832,417	45,742,345

Note: Revenue recognized from other sources is revenue recognized under IAS 17 Leases and IFRS 9 Financial Instruments.

Nine months ended August 31, 2020

(December 1, 2019 – August 31, 2020)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	30,329,071	14,286,932	—	—	—	—	44,616,004
Revenue from services	—	—	419,794	3,687,863	3,424,307	250,376	7,782,342
Revenue recognized from other sources	—	—	3,827,321	10,117	—	73,771	3,911,210
Total	30,329,071	14,286,932	4,247,115	3,697,981	3,424,307	324,148	56,309,557

Note: Revenue recognized from other sources is revenue recognized under IFRS 16 Leases and IFRS 9 Financial Instruments.

8. 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

9. 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

	Third quarter ended August 31, 2019	Third quarter ended August 31, 2020
Profit attributable to owners of the parent (¥ thousand)	2,409,906	1,321,127
Net income used to figure diluted net income per share (¥ thousand)	2,409,906	1,321,127
Weighted average number of outstanding ordinary shares (shares)	47,543,745	47,209,320
The number of increased ordinary shares used to figure diluted earnings per share (shares)	85,790	17,035
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,629,535	47,226,355
Basic earnings per share (¥)	50.69	27.98
Diluted net income per share (¥)	50.60	27.97

Notes: Basic earnings per share is calculated by quarterly profit attributable to owners of the parent, by the weighted average number of outstanding ordinary shares during the reporting period.

10. Financial instruments

i) Fair values and book values

Fair values of financial assets and liabilities and their book values presented in the condensed quarterly consolidated statement of financial position are as follows:

(¥ thousand)

	As of November 30, 2019		As of August 31, 2020	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	31,998,929	31,998,929	35,826,440	35,826,440
Trade and other receivables	3,451,548	3,451,548	3,075,740	3,075,740
Financial assets measured at fair value through other comprehensive income				
Other financial assets	3,831,590	3,831,590	3,897,906	3,897,906
Financial assets measured at fair value through profit or loss				
Other financial assets	421,101	421,101	370,686	370,686
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	6,443,992	6,443,992	6,707,608	6,707,608
Borrowings	89,843,269	89,851,347	91,387,041	91,393,381

Method for measuring fair value of financial instruments

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

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

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

Other financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method.

Non-current borrowings

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

ii) Fair value hierarchy

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

Level 1: Fair values measured at a price quoted in an active market

Level 2: Fair values calculated directly or indirectly using an observable price except for level 1

Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

(¥ thousand)

	As of November 30, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	3,762,485	—	69,105	3,831,590
Financial assets measured at fair values through profit or loss	—	—	421,101	421,101
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	13,663	—	13,663

	As of August 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	3,365,078	—	532,828	3,897,906
Financial assets measured at fair values through profit or loss	—	—	370,686	370,686
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	24,882	—	24,882

Reconciliation of financial assets classified in level 3 at the beginning of the period with those at the end of the period is as follows:

(¥ thousand)

	Nine months ended August 31, 2020
Balance at beginning of period	490,206
Acquisition	519,700
Comprehensive income	
Profit (loss)	4,785
Other comprehensive income	(1,527)
Disposal	(109,650)
Balance at end of period	903,514

11. Significant subsequent events

No item to report.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

October 6, 2020

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the “Accounting” section, namely, the condensed consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the third quarter (June 1, 2020 to August 31, 2020) and the first nine-month period (December 1, 2019 to August 31, 2020) of the fiscal year from December 1, 2019 to November 30, 2020.

Management’s Responsibility for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in conformity with International Accounting Standard 34 “Interim Financial Reporting” under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan; this includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor. We conducted our review in conformity with quarterly review standards generally accepted in Japan.

A quarterly review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Auditor’s Conclusion

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 “Interim Financial Reporting”, and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of August 31, 2020, and the consolidated results of their operations and their cash flows for the nine-month period then ended the same date.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End

*1. The above is a digitization of the text contained in the original copy of the Quarterly Review Report, which is in the custody of the Company (filing company of the quarterly securities report) as attachments to the financial statements.

2.XBRL data is excluded from the scope of the quarterly review.

Note:

The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.