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Consolidated Financial Results for the Fiscal Year Ended November 30, 2020 <IFRS>

January 12, 2021

Company name: Tosei Corporation
Stock listing: TSE / SGX
Securities code number: 8923/S2D
URL: https://www.toseicorp.co.jp/english/
Representative: Seiichiro Yamaguchi, President and CEO
Contact: Noboru Hirano, Director and CFO
Phone: +81-3-3435-2865
Ordinary general shareholders' meeting: February 25, 2021 (scheduled)
Commencement of dividend payments: February 26, 2021 (scheduled)
Submission of Securities Report (Yuka Shoken Hokokusho): February 26, 2021 (scheduled)
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2020 (December 1, 2019 – November 30, 2020)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Nov. 30, 2020	63,939	5.3	6,427	(49.4)	5,901	(51.2)	3,602	(57.4)
Year ended Nov. 30, 2019	60,727	(1.3)	12,690	16.7	12,090	18.9	8,447	23.3

	Profit attributable to owners of the parent		Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥)	(¥)
Year ended Nov. 30, 2020	3,602	(57.4)	3,064	(64.7)	76.05	75.94
Year ended Nov. 30, 2019	8,447	23.3	8,684	26.7	176.40	175.83

	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	(%)	(%)	(%)
Year ended Nov. 30, 2020	6.1	3.6	10.1
Year ended Nov. 30, 2019	15.3	8.0	20.9

(Reference) Equity method investment gain or loss Year ended Nov. 30, 2020: ¥－million Year ended Nov.30, 2019: ¥－million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	(¥ million)	(¥ million)	(¥ million)	(%)	(¥)
As of Nov. 30, 2020	161,684	58,969	58,969	36.5	1,250.00
As of Nov. 30, 2019	161,894	58,306	58,306	36.0	1,225.27

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year ended Nov. 30, 2020	12,509	(4,054)	(3,414)	37,039
Year ended Nov. 30, 2019	(3,799)	(2,133)	11,412	31,998

2. Dividends

	Annual dividends per share					Total dividends per share (Total)	Devident payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	(%)	(%)
Year ended Nov. 30, 2019	―	0.00	―	42.00	42.00	1,998	23.8	3.7
Year ended Nov. 30, 2020	―	0.00	―	19.00	19.00	896	25.0	1.5
Year ending Nov. 30, 2021(Forecast)	―	0.00	―	29.00	29.00		26.2	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2021 (December 1, 2020 – November 30, 2021)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending Nov. 30, 2021	69,535	8.8	8,707	35.5	8,001	35.6	5,218	44.9	110.61

*** Notes**

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

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

(3) Number of issued shares (ordinary shares)

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

As of Nov. 30, 2020	48,683,800 shares
As of Nov. 30, 2019	48,595,300 shares

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

As of Nov. 30, 2020	1,508,353 shares
As of Nov. 30, 2019	1,008,805 shares

(c) Average number of outstanding shares during the year

Year ended Nov. 30, 2020	47,370,103 shares
Year ended Nov. 30, 2019	47,884,495 shares

(Reference) Summary of Non-Consolidated Results

1. Non-consolidated Financial Results for the Fiscal Year Ended November 30, 2020 (December 1, 2019 – November 30, 2020)

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

	Revenue		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Year ended Nov. 30, 2020	51,958	6.3	2,853	(70.4)	3,384	(65.4)	2,594	(64.3)
Year ended Nov. 30, 2019	48,861	1.7	9,638	52.3	9,770	44.3	7,273	35.4

	Net income per share	Net income per share (diluted)
	(¥)	(¥)
Year ended Nov. 30, 2020	54.77	54.70
Year ended Nov. 30, 2019	151.89	151.40

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	(%)	(¥)
As of Nov. 30, 2020	148,071	51,737	34.9	1,095.59
As of Nov. 30, 2019	149,812	52,076	34.7	1,093.35

(Reference) Equity As of November 30, 2020: ¥51,685million As of November 30, 2019: ¥52,028million

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending November 30, 2021 (December 1, 2020 – November 30, 2021)

(Percentages indicate year-on-year changes.)

	Revenue		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Year ending Nov. 30, 2021	56,062	7.9	7,397	118.5	5,864	126.0	124.31

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

* Proper use of earnings forecasts and other notes

(1) The forward-looking statements, including outlook of future performance, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual performance and other results may differ substantially from these statements due to various factors. For the assumptions on which the earnings forecasts are based and cautions concerning the use thereof, please refer to “1.Operating results and Financial Position (5) Future outlook” on page 7 of the attached materials.

(2) A financial results meeting will be held on January 12, 2021 for institutional investors and analysts. The presentation materials distributed at the meeting will be available on our website immediately after the financial results disclosure.

Contents of Attached Material

1. **Operating Results and Financial Position ……..……2**

(1) Operating Results……..……2
(2) Analysis and Discussion of Operating Results……..……4
(3) Financial Positions……..…… 6
(4) Cash Flows ……..... 6
(5) Future Outlook……..... 7
(6) Fundamental Earnings Distribution Policy and Dividends for 2020 and 2021……..…....8

2. **Basic Concept Regarding Selection of Accounting Standards……..8**

3. **Consolidated Financial Statements and notes…….…..... 9**

(1) Consolidated Statement of Financial Position ……9
(2) Consolidated Statement of Comprehensive Income ……10
(3) Consolidated Statement of Changes in Equity ……..... 11
(4) Consolidated Statement of Cash Flows ……..……12
(5) Notes on Consolidated Financial Statements ……..……13
(Notes on Going Concern Assumption) ……... 13
(Changes in Accounting Policies) ……... 13
(Additional Information) …….. 14
(Segment Information) ……... 14
(Earnings per Share) ……15
(Significant Subsequent Events) ……... 15

1. Operating Results and Financial Position

(1) Operating Results

During the fiscal year ended November 30, 2020, the Japanese economy continued to face a harsh environment due to the impact of COVID-19. There have been signs of recovery owing to the effects of various policy measures and improvements in overseas economies, but in view of the re-expantation of infection both in and outside Japan, it is necessary to continue monitoring the trends.

In the real estate industry where Tosei Group operates, domestic real estate investments from January to September 2020 decreased by only 2% year on year to ¥3.4 trillion, showing a rebound led mainly by logistics facilities and residential properties after a temporary fall. While there are uncertainties in the future investment market, the Japanese market is enjoying considerable popularity among overseas investors for its being relatively less affected by COVID-19. Thanks to increased inbound investments, Tokyo ranked first in the world cities for real estate investments (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 October 2020 decreased 20.7% year on year to 17,000 units. After falling sharply in April and May due to voluntary sales restraints under the state of emergency, the number of units newly offered for sale exceeded previous year's results for the second consecutive month in September and October. In addition, the average contract rate for the first month remained above the 70% threshold from which market conditions are viewed as favorable, and there have been signs of recovery. In the build-for-sale detached house market, housing starts from January to September 2020 numbered 40,000 units, a decrease of 14.2% year on year (according to a survey by a private research institute).

Orders received for construction (50 major constructors) from April to October 2020 were ¥6,444.9 billion (a decrease of 7.8% year on year). Orders received from the public sector, which have been growing for the ninth consecutive month, amounted to ¥1,714.8 billion (an increase of 28.1% year on year), while orders received from private sector were ¥4,361.6 billion (a decrease of 14.6% year on year), remaining far below the previous fiscal year's level due to construction delays caused by COVID-19. Meanwhile, construction costs from January to October 2020 remained at high levels, although the costs per tsubo for reinforced concrete structure dropped to ¥908 thousand per tsubo (1 tsubo = 3.30 square meters) (a decrease of 2.9% from ¥935 thousand in the same period of the previous fiscal year). The construction costs per tsubo for wooden structure were ¥569 thousand (an increase of 1.2% from ¥562 thousand in the same period of the previous fiscal year) and are continuing to rise gradually (according to a survey by the Ministry of Land, Infrastructure, Transportation and Tourism).

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 October 2020 to 3.93% (an increase of 2.30 percentage points year on year). The average asking rent was ¥22,434 per tsubo, falling for the third consecutive month starting in August, although ¥424 higher than that in the same month of the previous fiscal year. Concerns over the economic outlook is causing a slowdown in expansions and contract cancellations as tenants move towards consolidating locations and cutting back on space, 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 October 2020 amounted to 6.32 million tsubo (an increase of 10.8% year on year). The vacancy rate was 0.4%, and remained 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, due to the continuously growing use of e-commerce (according to a survey by a private research institute).

In the real estate fund market, the market scale is gradually expanding. J-REITs actively acquired properties, mainly logistics facilities, and J-REIT assets under management in October 2020 totaled ¥20.1 trillion (an increase of ¥1.1 trillion year on year). Combined with ¥21.1 trillion in assets under management in private placement funds as of June 2020, the real estate securitization market scale amounted to ¥41.2 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, the guest room occupancy rate in August 2020 was 23.6% (84.4% in the same period of the previous fiscal year). The Go To Travel campaign was launched in July 2020, but recovery was limited partly because Tokyo was excluded from the program. The total number of hotel guests in Tokyo encompassing all types of accommodation from January to August 2020 amounted to 19.48 million overnight stays (a decrease of 62.3% year on year). Affected by the drastic decline in the number of foreign tourists visiting Japan due to continued travel restrictions, as well as by the re-expantation of infection cases, 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.

As a result, consolidated revenue for the fiscal year under review totaled ¥63,939million (up 5.3% year on year), operating profit was ¥6,427 million (down 49.4%), profit before tax was ¥5,901 million (down 51.2%), and profit for the year was ¥3,602 million (down 57.4%).

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 43 properties which had been renovated, including Kagurazaka Plaza Building (Shinjuku-ku, Tokyo), T's garden Kita-Kashiwa (Kashiwa-shi, Chiba), Komagome-3chome 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 fiscal year under review, it also acquired a total of 25 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 ¥1,531 million. As a result, revenue in this segment was ¥31,154 million (up 0.5% year on year) and the segment profit was ¥5,596 million (down 27.8%).

Development Business

During the fiscal year under review, 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 80 detached houses at such properties as THE Palms Court Mitsuikekoen Ⅱ (Yokohama-shi, Kanagawa) and THE Palms Court Kokubunji Koigakubo (Kokubunji-shi, Tokyo). In addition, the segment sold one logistics facility, one commercial facility and six land lots.

During the fiscal year under review, it also acquired one land lot for apartment project, one land lot for commercial facility project and land lots for 40 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 ¥6,252 million.As a result, revenue in this segment was 16,171 million (up 12.7% year on year) and the segment loss was ¥3,743 million (in comparison with segment profit of ¥1,528 million in the previous fiscal year).

Rental Business

During the fiscal year under review, while the segment sold 21 buildings of its inventory assets held for leasing purposes, it newly acquired 17 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥5,810 million (down 2.2% year on year) and the segment profit was ¥2,319 million (down 2.0%).

Fund and Consulting Business

During the fiscal year under review, while ¥69,998 million was subtracted due mainly to property dispositions by funds, ¥346,926 million was added due to new lage asset management contracts 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 November 30, 2020, was ¥1,123,406 million.

As a result, revenue in this segment was ¥5,676 million (up 51.2% year on year) and the segment profit was ¥4,193 million (up 77.3%).

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

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 695 as of November 30, 2020, an increase of 36 from November 30, 2019 with that total comprising 449 office buildings, hotel, logistics facilities and other such properties, and 246 condominiums and apartments.

As a result, revenue in this segment was ¥4,690 million (up 2.3% year on year) and segment profit was ¥667 million (up 32.5%).

Hotel Business

During the fiscal year under review, the Group opened TOSEI HOTEL COCONE Asakusakuramae and TOSEI HOTEL COCONE Uenookachimachi. The Group put the safety and security of our customers first in our business, but the impact of COVID-19 was significant, and both revenue and segment profit or loss in this segment were far below expectations.

As a result, revenue in this segment was ¥437 million (dwon 59.8% year on year) and segment loss was ¥673 million (in comparison with segment profit of ¥99 million in the previous fiscal year).

(2) Analysis and Discussion of Operating Results

During the fiscal year under review, the Group carefully monitored real estate market trends while performing its sales and purchasing activities amid growing uncertainty due to the pandemic. Of the real estate Trading business, which is the growth driver, sales in the Development Business progressed more or less as planned. However, in the Revitalization Business, which deals in pre-owned and renovated real estate, the Group prioritized sales of stock with less product appeal while strategically reviewing the timing of launching property sale from the second quarter onward over concerns of declines in liquidity and market prices. At the end of the second quarter, the Group recorded a valuation loss of ¥7,680 million mainly for hotel facilities and commercial facilities under development that will be greatly affected by the COVID-19 crisis in the inventory evaluation of both Businesses. While recording this valuation loss is deemed to be conducive to mitigating the Group's future risk, the loss caused the margins of both Businesses to drop and ended up significantly pushing down performance for the fiscal year under review.

On the other hand, in the Stock and Fee Business, the Group's stable source of income, occupancy rates of Group-held properties in the Rental Business showed no decline, and the impact of the pandemic such as requests for reducing rent was immaterial. In the Fund and Consulting Business, the balance of assets under management expanded to a record high ¥1.1 trillion, capturing demand from domestic and overseas institutional investors who have a strong appetite to acquire real estate. To further expand business, in the fiscal year under review, the Group actively promoted efforts such as launching the Tosei Real Estate Crowd (TREC) Funding scheme and started a demo tests to issue Tosei security token considering its market potential. In the Hotel Business, the Group temporarily shut down three existing locations and began operation of six locations including two new locations from July, but occupancy is sluggishing due to the disappear of inbound guests. The Group is striving to regain occupancy in the expectation that the pandemic will be contained by around autumn of 2021.

As a result of these business activities, consolidated revenue for the fiscal year under review totaled ¥63,939 million (up 5.3% year on year), profit before tax was ¥5,901 million (down 51.2%), and profit for the year was ¥3,602 million (down 57.4%). Although the operating environment is such that it is not easy 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 Trading business while ensuring sufficient liquidity on hand and financial soundness.

To achieve enhanced corporate value, the Group has formulated a three-year medium-term management plan to promote its business. Established in 2017, the medium-term management plan "Seamless Growth

2020," which extends from December 2017 to November 2020, aimed to achieve a record high profit before tax of ¥12 billion, and the Group has been making efforts toward the basic policies of achieving further growth of existing businesses, establishing new income-generating businesses, and initiatives for strengthening the business base that supports growth.

Specifically, in the Revitalization Business, the Group strived to maximize business opportunities by flexibly adapting to changes in demand such as by expanding the handling of vacant buildings and large properties as well as extending the lineup of renovation menus. The Group also enhanced the real estate Trading business by diversifying the asset types it handles by extending into the logistics facility development business and other areas. Furthermore, the Group launched the Hotel Business as a new income-generating business in addition to the five businesses, and is slated for a lineup of 10 Group-held hotels including five hotels to be developed in the future. On the other hand, in the Stock and Fee Business, which is the Group's Stable business, occupancy rates of Company-held properties in the Rental Business showed no decline, and the impact of the pandemic such as requests for reducing rent was immaterial.

As a result of the above measures, the Group achieved ¥12 billion in profit before tax, one year ahead of schedule in the fiscal year ended November 30, 2019, the second year of the medium-term plan. In January 2020, the Group revised its target figure for the final year of the plan to ¥13 billion in profit before tax. However, as the aforementioned valuation loss was recorded due to the COVID-19 outbreak in the fiscal year under review, revenue, profit before tax, three-year average ROE, and three-year average profit growth ratio fell below the plan. With the ratio of real estate Trading business and stable businesses at 24:76 as a result of the aforementioned valuation loss (52:48 disregarding the valuation loss), the Group has achieved a firm financial base toward the stage of recovery and growth in the future by maintaining the level of equity ratio, ensuring liquidity on hand, and making other efforts.

The Quantitative plan (consolidated) of the medium-term management plan "Seamless Growth 2020,"

	Initial numerical targets Announced January 10, 2018	Revised numerical targets Announced January 9, 2020	Performance
Consolidated revenue of the final fiscal year	¥100 billion	¥80.3 billion	¥63.9 billion
Consolidated profit before tax Of the final fiscal year	¥12 billion	¥13 billion	¥5.9 billion
Profit growth rate of the year (Thee year average)	10% or more	10% or more	―
ROE of the year (Three year average)	12% or more	12% or more	11.8%
The ratio of stable business (The trading business : The stable business)	50:50	60:40	24:76
Equity ratio	35%	36%	36.5%

(3) Financial Positions

As of November 30, 2020, total assets were ¥161,684 million, a decrease of ¥209 million compared with November 30, 2019, while total liabilities were ¥102,714 million, a decrease of ¥872 million.

This is mainly due to, a decrease in inventories (down ¥8,156 million year on year) and a decrease Investment properties (down ¥10,880 million year on year) despite an increase in cash and cash equivalents (up ¥5,040 million year on year) and increase in Property, plant and equipment (up ¥14,823 million year on year). Decrease in liabilities were primarily due to an decrease in Trade and other payables (down 1,094 million year on year) and a decrease in Current income tax liabilities (down ¥733 million year on year) despite a increase in borrowings (up 1,144 million year on year).

Total equity increased by ¥663 million to ¥58,969 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

(4) Cash Flows

Cash and cash equivalents (hereinafter "cash") as of November 30, 2020 totaled ¥37,039 million, an increase of ¥5,040 million compared with November 30, 2019.

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

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥12,509 million (¥3,799 million used in the same period of the previous fiscal year). This is mainly attributed to the profit before tax of ¥5,901 million, a decrease in inventories of ¥8,154 million and income taxes paid of ¥3,139 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥4,054 million (up 90.1% year on year). This is mainly due to purchase of investment properties of 3,377 million and purchase of other financial assets of ¥972 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥3,414 million (¥11,412 million provided by the same period of the previous fiscal year). This mainly reflects ¥31,925 million in the repayments of non-current borrowings, ¥1,977 million in cash dividends paid and ¥500 million in the purchase of treasury shares despite ¥33,963 million in proceeds from non-current borrowings..

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

	Year ended Nov. 30, 2018	Year ended Nov. 30, 2019	Year ended Nov. 30, 2020
Ratio of equity attributable to owners of the parent to total assets (%)	37.5	36.0	36.5
Ratio of equity attributable to owners of the parent to market capitalization (%)	36.0	40.0	33.9
Ratio of cash flows to interest-bearing debt (years)	9.9	—	7.3
Interest coverage ratio (times)	7.9	—	12.9

Ratio of equity attributable to owners of the parent to total assets:	Equity attributable to owners of the parent /Total assets
Ratio of equity attributable to owners of the parent to market capitalization:	Market capitalization/Total assets
Ratio of cash flows to interest-bearing debt:	Interest-bearing debt/Cash flows
Interest coverage ratio:	Cash flows/Interest expenses

Notes:
(1) All indicators are calculated using consolidated financial figures.
(2) Market capitalization is calculated based on the number of issued shares, excluding treasury shares.
(3) The figure for cash flows employs cash flows from operating activities.
(4) Interest-bearing debt includes all liabilities recorded on the Consolidated Statement of Financial Position on which interest is paid.
(5) Interest-bearing debt to cash flows ratio and interest coverage ratio are not presented for the year ended November 30, 2019 because cash flows from operating activities on the consolidated statements of cash flows was negative.

(5) Future Outlook

Although the business environment still does not allow for an outlook that COVID-19 will settle down, in the Tokyo metropolitan area real estate investment market, which is the Group's mainstay market, the current real estate transaction volume is gradually recovering to the levels comparable to the previous fiscal year supported by a low interest rate environment worldwide due to the financial easing policies of various countries and loans by financial institutions, despite experiencing a temporary stagnation in the market. In particular, funds of overseas investors are flowing in to logistics facilities and income-generating apartments, which are stably operating amid the COVID-19 crisis, and demand is expected to continue increasing. With respect to transaction prices, as there are no major changes in the investors' expected yield from real estate, there have been only minor falls in market prices, except for those of hotels that need time for occupancy rates to recover. However, vacancy rates have turned to a rise and rents started to fall for offices in the Tokyo metropolitan area where they have been consistently low. The impact on office demand trends of poor corporate performances amid the COVID-19 crisis, and the large-scale teleworking shift by some companies, and changes in the lending attitude of financial institutions need careful watch.

As for the business forecast for the fiscal year ending November 30, 2021, the Group expects consolidated revenue of ¥69,535 million (up 8.8% year on year), operating profit of ¥8,707 million (up 35.5%), profit before tax of ¥8,001 million (up 35.6%), and profit for the year of ¥5,218 million (up 44.9%).

The Group assumes a business environment where COVID-19 will be contained by around autumn of 2021 and economic activity will gradually return to normal, and the real estate market will recover to the 2019 level in the fiscal year ending November 30, 2022. While recognizing the ongoing issue of expanding purchasing in an environment with an uncertain outlook, Tosei is continuing to expand its purchasing activities for future growth, and is striving to recover its real estate Trading business while ensuring sufficient liquidity on hand and financial soundness.

The Group has formulated a new medium-term management plan "Infinite Potential 2023" kicked off in the fiscal year ending November 30, 2021, covering the period from December 2020 to November 2023. Changes in the environment surrounding the real estate industry include global warming, a rise in awareness regarding corporate social responsibility, aging society with low, birthrate, as well as new workstyles and diversifying lifestyles triggered by rapid advances in technology including DX and IT. With the awareness that real estate is a social infrastructure that supports life, the Group will genuinely work on social issues relating to real estate and push forword in pursuit of the infinite growth protential of the Group.

<Main Policy>

Pursue the Group's infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company.

<Basic Policies>

Basic policy 1. Expand existing businesses and increase operating profit with a focus on environmental/social issues
Basic policy 2. Enhance existing businesses and create new income-generating models through DX
Basic policy 3. Implement a balance sheet strategy with a focus on increasing business scale, Group-held assets and capital efficiency
Basic policy 4. Implement Group strategy and organizational strategy with a focus on achieving both governance and efficiency
Basic policy 5. Improve operational and administrative efficiency through the promotion of utilization of IT and enhance employee satisfaction conducive to improving productivity
Basic policy 6. Promote business, management and ESG with a focus on sustainability

<Quantitative Plan>

Capital efficiency:	ROE of 12% or more in the final fiscal year of the plan
Financial soundness:	Equity ratio of around 35% Net debt-to-equity ratio : about 1.0 times Ratio of real estate Trading business and Stable businesses (operating profit-basis): 50:50
Shareholder returns:	Aim to gradually raise payout ratio from 25% to 30% over three years Consider repurchase of own shares with a focus on capital efficiency

In this plan, the Group sets out “pursue the Group's infinite growth potential” as the main policy, and will strive for further growth, business transformation through the use of digital technology, contribution to SDGs through business and promotion of ESG management to improve corporate value. Specifically, the Group aims to promote initiatives Group-wide by incorporating efforts on environmental/social issues in the individual measures of each business. The Revitalization Business aims to extend the service life of buildings by renovating existing real estate, as well as differentiate and improve profitability of products by creating added value through upgrades focusing on comfort and safety. The Development Business will incorporate elements such as eco-friendliness and crime prevention/disaster preparedness in product planning with aiming to increase the brand value of each product through product planning that will be supported by customers. Both the Revitalization Business and the Development Business will leverage IT to promote sales activities, strengthen decision-making capabilities in investments and Group-wide cooperation to reinforce the structure toward expanding business scale. In the Stock and Fee Business, the stable source of income, the Group will aim to expand business scale and improve profitability through initiatives such as providing high-quality services and enhancing customer satisfaction with a focus on ESG as well as reviews of operational processes by leveraging IT in each of the Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. Recognizing that the fusion of DX and real estate presents a new business opportunity, the Group will expand assets under management in the crowd funding business, commercialize an investment scheme using security tokens, and other projects as initiatives to create new income-generating models.

On the financial front, the Group will work on effective investments while strengthening funding capabilities and maintaining a sound financial structure to support the expansion in business scale and asset balance. In addition, as a Group organizational strategy in line with the business which is both expanding in scale and diversifying in nature, the Group will streamline and reconstruct the organization, further enhance the quality of internal control, and maintain an optimal corporate governance structure to extend Group-wide cooperation and comprehensive capabilities. Furthermore, to fully activate human resources, which are the Group’s most important assets, the Group will promote human resources development aiming for the growth of all officers and employees and productivity enhancement while improving employee satisfaction Group-wide.

(6) Fundamental Earnings Distribution Policy and Dividends for 2020 and 2021

Tosei’s fundamental earnings distribution policy is to strive to continuously provide stable dividends while comprehensively considering operating results, the future operating environment and progress in its business plan to balance dividends with the need for internal capital resources to generate long-term growth in corporate value by taking advantage of highly profitable business opportunities.

For the fiscal year ended November 30, 2020 and the fiscal year ending November 30, 2021, Tosei plans to pay cash dividends per share of ¥19 and ¥29 respectively.

2. Basic Concept Regarding Selection of Accounting Standards

Tosei Group has adopted IFRS.

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

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

3. Consolidated Financial Statements and notes

(1) Consolidated Statement of Financial Position

(¥ thousand)

	As of Nov. 30, 2019	As of Nov. 30, 2020
Assets		
Current assets		
Cash and cash equivalents	31,998,929	37,039,600
Trade and other receivables	3,747,782	3,192,248
Inventories	73,573,663	65,416,925
Other current assets	13,247	15,298
Total current assets	109,333,622	105,664,073
Non-current assets		
Property, plant and equipment	8,671,827	23,495,129
Investment properties	37,868,133	26,987,387
Intangible assets	87,760	209,663
Trade and other receivables	1,102,277	779,470
Other financial assets	4,252,691	3,972,309
Deferred tax assets	573,729	572,454
Other non-current assets	4,014	4,014
Total non-current assets	52,560,434	56,020,429
Total assets	161,894,056	161,684,503
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,448,300	5,466,127
Borrowings	16,291,247	11,794,730
Current income tax liabilities	1,658,894	925,671
Provisions	655,782	600,264
Total current liabilities	25,054,225	18,786,795
Non-current liabilities		
Trade and other payables	3,761,836	3,649,593
Borrowings	73,552,021	79,192,778
Retirement benefits obligations	521,213	546,421
Provisions	6,971	7,129
Deffered Tax Liabilties	691,288	532,260
Total non-current liabilities	78,533,331	83,928,183
Total Liabilities	103,587,557	102,714,978
Equity		
Share capital	6,579,844	6,624,890
Capital reserves	6,575,240	6,627,004
Retained earnings	45,839,423	47,442,372
Treasury shares	(1,000,037)	(1,500,055)
Other components of equity	312,028	(224,688)
Total equity attributable to owners of parent	58,306,499	58,969,524
Total equity	58,306,499	58,969,524
Total liabilities and equity	161,894,056	161,684,503

(2) Consolidated Statement of Comprehensive Income

(¥ thousand)

	Year ended Nov. 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)	Year ended Nov. 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)
Revenue	60,727,704	63,939,781
Cost of revenue	39,886,774	49,140,392
Gross profit	20,840,930	14,799,389
Selling, general and administrative expenses	8,203,399	8,401,897
Other income	64,335	116,612
Other expenses	10,907	86,349
Operating profit	12,690,958	6,427,755
Finance income	154,466	268,037
Finance costs	755,329	794,479
Profit before tax	12,090,095	5,901,313
Income tax expense	3,643,062	2,298,973
Profit for the year	8,447,032	3,602,339
Other comprehensive income		
Other comprehensive income Items that will not be reclassified to profit or loss		
Net change in financial assets measured at fair values through other comprehensive income	242,805	(518,325)
Remeasurements of defined benefit pension plans	5,423	(758)
Subtotal of Other comprehensive income Items that will not be reclassified to profit or loss	248,228	(519,083)
Other comprehensive income Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(7,352)	(6,818)
Net change in fair values of cash flow hedges	(2,961)	(11,573)
Subtotal of other comprehensive income Items that may be reclassified to profit or loss	(10,313)	(18,391)
Other comprehensive income for the year, net after tax	237,914	(537,474)
Total comprehensive income for the year	8,684,946	3,064,864
Profit attributable to:		
Owners of the parent	8,447,032	3,602,339
Total comprehensive income attributable to:		
Owners of the parent	8,684,946	3,064,864
Earnings per share attributable to owners of the parent		
Basic earnings per share (¥)	176.40	76.05
Diluted earnings per share (¥)	175.83	75.94

(3) Consolidated Statement of Changes in Equity

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

(¥ thousand)

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

Year ended November 30, 2020 (Dec. 1, 2019 – Nov. 30, 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 Dec. 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 year			3,602,339			3,602,339	3,602,339
Other comprehensive income					(537,474)	(537,474)	(537,474)
Total comprehensive income for the year	—	—	3,602,339	—	(537,474)	3,064,864	3,064,864
Amount of transactions with owners							
Issuance of new shares	45,046	25,441				70,487	70,487
Purchase of treasury shares		(7,232)		(500,018)		(507,250)	(507,250)
Dividends from surplus			(1,998,632)			(1,998,632)	(1,998,632)
Share-based payment		33,556				33,556	33,556
Transfer from other components of equity to retained earnings			(758)		758	—	—
Balance at Nov. 30, 2020	6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524	58,969,524

(4) Consolidated Statement of Cash Flows

(¥ thousand)

	Year ended Nov. 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)	Year ended Nov. 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)
Cash flows from operating activities		
Profit before tax	12,090,095	5,901,313
Depreciation expense	873,834	1,216,143
Increase (decrease) in provisions and retirement benefits obligations	106,807	(50,935)
Interest and dividends income	(154,466)	(268,037)
Interest expenses	755,329	794,479
Decrease (increase) in trade and other receivables	(765,621)	868,417
Decrease (increase) in inventories	(15,378,771)	8,154,542
Increase (decrease) in trade and other payables	2,445,402	(1,195,944)
Other, net	2,079	25,011
Subtotal	(25,311)	15,444,989
Interest and dividends income received	102,094	204,067
Income taxes paid	(3,876,675)	(3,139,264)
Net cash from (used in) operating activities	(3,799,892)	12,509,792
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	20,000	—
Purchase of property, plant and equipment	(62,602)	(161,265)
Purchase of investment properties	(344,209)	(3,377,878)
Purchase of intangible assets	(29,351)	(157,791)
Payments of loans receivable	(126,730)	—
Collection of loans receivable	17,034	109,857
Purchase of other financial assets	(1,811,147)	(972,660)
Collection of other financial assets	26,426	505,046
Proceeds from sales of other financial assets	151,509	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	536	—
Other, net	25,413	614
Net cash from (used in) investing activities	(2,133,119)	(4,054,077)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	1,738,500	(1,796,000)
Proceeds from non-current borrowings	41,630,045	33,963,165
Repayments of non-current borrowings	(28,572,289)	(31,925,799)
Repayments of lease obligations	(5,349)	(255,438)
Proceeds from issuance of new shares	40,060	70,232
Cash dividends paid	(1,455,240)	(1,997,202)
Purchase of treasury shares	(999,909)	(500,018)
Interest expenses paid	(963,688)	(973,315)
Net cash from (used in) financing activities	11,412,129	(3,414,376)
Net increase (decrease) in cash and cash equivalents	5,479,116	5,041,339
Cash and cash equivalents at beginning of year	26,520,569	31,998,929
Effect of exchange rate change on cash and cash equivalents	(757)	(668)
Cash and cash equivalents at end of year	31,998,929	37,039,600

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

No item to report.

(Changes in Accounting Policies)

The Group applied the following standards effective from the first quarter of the fiscal year ended 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.

(Additional Information)

Impact of COVID-19 on Tosei's Financial Results

During the fiscal year under review, 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 ¥7,784,858 thousand. Regarding the impact in each segment, valuation loss amounted to ¥1,531,892 thousand in the Revitalization Business and ¥6,252,966 thousand in the Development Business.

Although it is difficult to accurately assess the impact and the timing of containment of the COVID-19, as in the conventional assumption, the Group assumes COVID-19 will be contained by around autumn of 2021 and economic activity will gradually return to normal, and the real estate market will recover to the 2019 level in the fiscal year ending November 2022. The Group made an accounting estimate of inventory valuation, impairment losses on fixed assets, and recoverability of deferred tax assets, etc.

(Segment Information)

(1) Summary of reportable segments

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

(2) Method for calculating revenue, profit or loss and other items by reportable segment

The methods of accounting applied in the reported operating segments are consistent with the accounting policies adopted by the Group.

The reported segment profit is calculated on an operating profit basis. Intersegment revenue or transfers are based on actual market prices.

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

Year ended November 30, 2019

(Dec.1, 2018 – Nov 30, 2019)

(¥ thousand)

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

Year ended November 30, 2020
(Dec.1, 2019 – Nov 30, 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	31,154,223	16,171,200	5,810,503	5,676,067	4,690,599	437,186	—	63,939,781
Intersegment revenue	—	—	48,775	82,945	1,237,956	1,480	(1,371,157)	—
Total	31,154,223	16,171,200	5,859,279	5,759,012	5,928,555	438,666	(1,371,157)	63,939,781
Segment profit or loss	5,596,952	(3,743,396)	2,319,539	4,193,437	667,650	(673,151)	(1,933,276)	6,427,755
Finance income/costs, net								(526,442)
Profit before tax								5,901,313

(Earnings per Share)

	Year ended November 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)	Year ended November 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)
Profit attributable to owners of the parent (¥ thousand)	8,447,032	3,602,339
Net income used to figure diluted net income per share (¥ thousand)	8,447,032	3,602,339
Weighted average number of outstanding ordinary shares (shares)	47,884,495	47,370,103
The number of increased ordinary shares used to figure diluted earnings per share (shares)	156,333	64,809
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	48,040,828	47,434,912
Basic earnings per share (¥)	176.40	76.05
Diluted net income per share (¥)	175.83	75.94

(Significant Subsequent Events)

No item to report.