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Tosei Corporation

Securities Code: 8923
February 4, 2021

Dear Shareholders,

Notice of the 71st Ordinary General Meeting of Shareholders

We are pleased to announce the 71st Ordinary General Meeting of Shareholders of Tosei Corporation (the "Company"; this meeting, the "Meeting"), which will be held as described below.

To prevent the further spread of infections of the novel coronavirus (COVID-19), the Company strongly urges its shareholders to exercise their voting rights in advance in writing or by electromagnetic method (using the Internet, etc.) and refrain from attending the Meeting in person.

Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights no later than 6:00 p.m. on Wednesday, February 24, 2021 (JST).

The Company has decided to livestream the Meeting so that more shareholders will be able to view the proceedings of the Meeting from their homes or other places. Please note that while shareholders can comment during the livestreaming by using the chat function, shareholders will not be able to ask any questions pursuant to the Companies Act, exercise their voting rights, or propose a motion in the chat.

For cautionary notes regarding the livestreaming and attending the Meeting in person, as well as information on electromagnetic methods for exercising voting rights (via the Internet), etc., please refer to pages 2 through 5.

Sincerely yours,

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

Details

1. Date and Time:

Thursday, February 25, 2021, at 10:00 a.m. (JST) (The reception for attendees begins at 9:00 a.m.)

2. Place:

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

3. Purpose of the Meeting

Matters to be reported:

a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements, for the 71st term (from December 1, 2019 to November 30, 2020)

b. Non-consolidated Financial Statements for the 71st term (from December 1, 2019 to November 30, 2020)

Matters to be resolved:

Proposal 1: Appropriation of Surplus

Proposal 2: Election of Three (3) Audit & Supervisory Board Members

Proposal 3: Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

<Disclosures on the Internet>

- If any changes are made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, or Consolidated Financial Statements, such changes will be posted on the Company's website (https://www.toseicorp.co.jp/)

<Viewing the livestreaming>

- Shareholders viewing the livestreaming will not be recognized as having attended the Meeting pursuant to the Companies Act. Accordingly, shareholders will not be allowed to ask questions, exercise their voting rights, or propose a motion, which shareholders are allowed to do at general meetings of shareholders, via the livestreaming. To exercise your voting rights, shareholders are asked to keep in mind the deadline for the exercise of voting rights and vote by postal mail using the Voting Form or by electromagnetic method (via the Internet) or take advantage of proxy voting on the day of the Meeting by granting power of attorney to a proxy.
- For the method of viewing the livestreaming, please refer to the enclosed attachment (Information on Viewing the Livestreaming).
- Depending on the environment of the PC used (PC model, functions, and the like) and the Internet connection environment (network circuit status, connectivity speed, and the like), you may experience problems with the images or sound of the livestreaming. Please be advised that the Company accepts no responsibility whatsoever for any disadvantage incurred by the shareholder as a result of these problems. Furthermore, communication charges to view the livestreaming will be at the viewer's expense.

<Request for the shareholders' understanding and cooperation when attending the Meeting in person>

- The Company will take every possible precaution to prevent the spread of COVID-19 at the Meeting venue. If you intend to attend the Meeting in person, we ask for your understanding and cooperation, as outlined below.
  - The Company's staff, depending on their designated posts, may be wearing masks and taking other precautions when attending to the shareholders. Additionally, there will be as few staff members as possible, and they will be socially distanced from the shareholders. (Staff who have undergone thorough health checks will be attending)
  - If you are found to have a fever, a cough, or other signs of poor health at the checks upon entry and after entry into the venue, or if you do not wear a mask at all times from entry into and exit from the venue, you may be refused entry or asked to leave after entry into the venue.
  - You are kindly asked to cooperate with the measures deemed necessary by the Company to ensure the safety of all shareholders, including disinfecting of the hands and taking of temperatures, and if you do not cooperate with these measures, you may be refused entry into the venue.
  - As part of measures to prevent the spread of infection, seats at the venue of the Meeting will be sufficiently spaced and the number of seats will be far smaller than in previous years.
- When you attend the Meeting, you are kindly requested to present the enclosed Voting Form to the receptionist.
- The Company plans to livestream the Meeting. Please be advised that while the Company intends to pay due consideration to the shareholders' privacy and film only the Chairman and the area surrounding the seats of the executives, images of attending shareholders may unavoidably appear on the stream.
- After the closing of the Meeting, the Business Strategy Presentation Meeting will be held (and livestreamed) in the same place.
- Depending on the situation of the spread of COVID-19, any announcements by the government up until the day of the Meeting and other factors, the Company may make changes to the handling of the Meeting outlined above. If any events occur of which the shareholders should be informed, such events will be posted on the Company's website (https://www.toseicorp.co.jp), as they occur.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as shown below:

Year-end dividend

Taking into account such factors as our operating results for the fiscal year under review and our future business development, the Company proposes the year-end dividend for the 71st term as shown below.

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

Dividends per ordinary share of the Company:	¥19
Total amount of dividends:	¥896,333,493

3. Effective date of dividends from surplus: February 26, 2021

Proposal 2: Election of Three (3) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members – Yutaka Kitamura, Tatsuki Nagano, and Osamu Doi - will expire at the conclusion of the Meeting. Accordingly, we propose the election of three (3) Audit & Supervisory Board Members.
The Audit & Supervisory Board has given its approval to this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Career summary and positions in the Company (Important concurrent positions outside the Company)	Number of the Company's shares held
1	New appointment Outside Independent Toshinori Kuroda (Jan. 9, 1960)	Apr. 1982 Joined The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.) May 1989 Completed MBA at Purdue University in the U.S. Nov. 1991 Assigned to Sanwa Business Credit Corporation (Chicago, IL, U.S.) Aug. 1995 Assigned to Sanwa Bank California (Los Angeles, CA, U.S.) Oct. 2002 Deputy General Manager of Public & Institutional Business Division of UFJ Bank Limited (the predecessor of MUFG Bank, Ltd.) May 2007 Chief Manager of Internal Audit Office of Internal Audit Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the predecessor of MUFG Bank, Ltd.) May 2012 Joined Mitsubishi UFJ NICOS Co., Ltd. Oct. 2012 General Manager of Compliance Division of Mitsubishi UFJ NICOS Co., Ltd. Apr. 2017 Chief Auditor of Internal Audit Division of Mitsubishi UFJ NICOS Co., Ltd.	-

≪Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member≫

Toshinori Kuroda acquired extensive experience after joining The Sanwa Bank, Ltd. in 1982, by engaging in domestic operations and in international operations including serving approximately eight years as an overseas representative, after which he served in various senior executive positions at the Public & Institutional Business Division and the Audit Division of the said Bank, as well as the Compliance Division and the Internal Audit Division of the bank's group company. He also has expert knowledge from having acquired an MBA and having been certified as a Certified Internal Auditor (CIA). Accordingly, the Company nominated him as a candidate for Outside Audit & Supervisory Board Member in the belief that he will provide oversight over management in general and useful advice based on his abundant experience and high level of insight. For these reasons, although he has no experience of involvement in company management, the Company believes that he can appropriately perform his duties as Outside Audit & Supervisory Board Member.

≪Supplemental information on independence≫

Toshinori Kuroda served as an employee of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the predecessor of MUFG Bank, Ltd.) until April 2012. However, his independence as Outside Audit & Supervisory Board Member has been secured, as the Company has business transactions* with many other financial institutions as well as the said bank and he is not in the position to be influenced by the bank as it has been over eight years since he ceased to be an employee of the bank. He satisfies the criteria for an independent auditor stipulated by the Tokyo Stock Exchange, and the Company intends to notify the said Exchange of the appointment of Toshinori Kuroda as an independent auditor as stated in Note 2.

*Reference: Outstanding loans payable to the said bank as of November 30, 2020 (consolidated basis) accounted for approximately 4.0% of the Company's total assets and approximately 7.1% of its total outstanding loans.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary and positions in the Company
(Important concurrent positions outside the Company)</th><th>Number of the Company's shares held</th></tr>
<tr><td rowspan="2">2</td><td>Reappointment
Outside
Independent

Tatsuki Nagano
(Apr. 16, 1959)</td><td>Apr. 1983
Jul. 1995
Jul. 2000
Jul. 2004
Aug. 2004
Feb. 2012
Apr. 2013
Apr. 2013
Jun. 2014
Feb. 2016
Jun. 2019</td><td>Joined The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited)
Financial Planning Chief of Corporate Planning Dept. at headquarters of The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited)
Managing Director of RG Asset Management PTE. LTD.
Director of Reference Group Holdings Ltd.
Representative Director of RG Asset Management Services Co., Ltd.
Audit & Supervisory Board Member of the Company (current position)
Director of RG Asset Management Services Limited (BVI)
Director and Representative Partner of RG Asset Management Services Limited (HK)
Director of System Location Co., Ltd. (current position)
Senior Director, Head of the Management Headquarters of All Nippon Asset Management, Co., Ltd.
Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. (current position)</td><td>-</td></tr>
<tr><td colspan="4">≪Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member≫
Tatsuki Nagano has duly fulfilled his duties as an incumbent Outside Audit & Supervisory Board Member of the Company by voicing necessary comments, as appropriate, at the meetings of the Audit & Supervisory Board and the Board of Directors, based on his abundant experience and considerable expert insight from his experience at major financial institutions and in corporate management. Accordingly, the Company renominated him as a candidate for Outside Audit & Supervisory Board Member so that he can continue to perform a role in ensuring the adequacy and appropriateness of the Company's management.
≪Supplemental Information on Independence≫
Tatsuki Nagano served as an employee of The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) until June 2000. However, his independence as Outside Audit & Supervisory Board Member has been secured, as the Company has business transactions* with many other financial institutions as well as the said bank and he is not in the position to be influenced by the bank as it has been over 20 years since he ceased to be an employee of the said bank. He satisfies the criteria for an independent auditor stipulated by the Tokyo Stock Exchange, and the Company notified the said Exchange of the appointment of Tatsuki Nagano as an independent auditor as stated in Note 2 and intends to do so if he is reelected.
*Reference: Outstanding loans payable to the said bank as of November 30, 2020 (consolidated basis) accounted for approximately 3.5% of the Company's total assets and approximately 6.3% of its total outstanding loans.</td></tr>
<tr><td rowspan="2">3</td><td>Reappointment
Outside
Independent

Osamu Doi
(Feb. 23, 1964)</td><td>Apr. 1987
Jul. 1993
Feb. 1998
Apr. 2002
Oct. 2005
Oct. 2006
Apr. 2007
Feb. 2013</td><td>Joined The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.)
Transferred to Nikko Europe PLC
Returned to The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.)
Joined FinTech Global Incorporated
Senior Vice President of Structured Finance Division of FinTech Global Incorporated
Deputy Head of Investment Banking Division of FinTech Global Incorporated
Head of Investment Department of FinTech Global Incorporated
Audit & Supervisory Board Member of the Company (current position)</td><td>-</td></tr>
<tr><td colspan="4">≪Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member≫
Osamu Doi has duly fulfilled his duties as an incumbent Outside Audit & Supervisory Board Member of the Company by voicing necessary comments, as appropriate, at the meetings of the Audit & Supervisory Board and the Board of Directors, based on his abundant experience and expertise from his experience at a major securities firm and a company engaged in investment banking. Accordingly, the Company renominated him as a candidate for Outside Audit & Supervisory Board Member so that he can continue to perform a role in ensuring the adequacy and appropriateness of the Company's management. For these reasons, although he has no experience of involvement in company management in ways other than being an Outside Audit & Supervisory Board Member of the Company, the Company believes that he can appropriately perform his duties as Outside Audit & Supervisory Board Member.</td></tr>
</table>

(Notes) 1. Each of the candidates for Audit & Supervisory Board Members has no special interests in the Company.
2. Toshinori Kuroda, Tatsuki Nagano, and Osamu Doi are candidates for Outside Audit & Supervisory Board

Members. The Company notified the Tokyo Stock Exchange of Tatsuki Nagano and Osamu Doi as independent auditors pursuant to the regulations of the said Exchange, and they will continue to serve as independent auditors if they are reelected as Audit & Supervisory Board Members. In addition, the Company intends to notify the Tokyo Stock Exchange of Toshinori Kuroda as an independent auditor pursuant to the regulations of the said Exchange if he is elected as Audit & Supervisory Board Member.

3. Candidates' years served as Outside Audit & Supervisory Board Member since appointment
   (1) Tatsuki Nagano currently serves as Outside Audit & Supervisory Board Member of the Company and will have served as such for nine (9) years as of the conclusion of the Meeting.
   (2) Osamu Doi currently serves as Outside Audit & Supervisory Board Member of the Company and will have served as such for eight (8) years as of the conclusion of the Meeting.
4. An outline of contracts for limitation of liability of Outside Audit & Supervisory Board Members is as follows.
   The Company has concluded contracts for limitation of liability with Tatsuki Nagano and Osamu Doi pursuant to the provisions of Article 427, paragraph 1 of the Companies Act for the liability for damages provided for in Article 423, paragraph 1 of the same, and limits their liabilities to the amount provided by relevant laws and regulations. The Company intends to maintain the contracts with them if they are reelected as Audit & Supervisory Board Members at the Meeting. In addition, the Company intends to conclude the same contract with Toshinori Kuroda if he is elected as an Audit & Supervisory Board Member.

Proposal 3: Renewal of Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

The Company renewed a plan for countermeasures to large-scale acquisitions of the shares in the Company (the "Former Renewed Plan") by a resolution of the Board of Directors on January 25, 2018 and obtained shareholder approval at the ordinary general meeting of shareholders of the Company held on February 27, 2018. The effective period of the Former Renewed Plan expires at the conclusion of this Meeting.

Since the Company renewed the Former Renewed Plan, the we have been examining whether to renew the plan as well as the need to review the plan in light of changes in social and economic conditions, to secure and enhance our corporate value and the common interests of our shareholders. Prior to the expiration of the Former Renewed Plan, the Company determined at the Board of Directors meeting held on January 25, 2021 to, subject to approval by the shareholders at the Meeting, formally revise certain wordings to update the Former Renewed Plan and introduce a new plan (the introduction is to be referred to as the "Renewal," and the renewed plan is to be referred to as the "Plan") as a measure to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b) of the Enforcement Regulations of the Companies Act) under the basic policy regarding the persons who control decisions on the Company's financial and business policies (as provided in Article 118, Item 3 of the Enforcement Regulations of the Companies Act; the "Basic Policy").

The Company, therefore, requests that the shareholders approve the renewal of the Plan in accordance with Article 47, Paragraph 1 of the Articles of Incorporation of the Company.

Before the Former Renewed Plan becomes invalid, major changes from the Former Renewed Plan in the Renewal process are as follows:

- The maximum period when the Company may request the Acquirer to provide information is clearly set at 60 days.
- Words and phrases have been changed due to linguistic reasons.

1. Reason for Proposal

(1) Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies

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

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

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

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

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

(2) Purpose of the Plan

The Plan is in line with the Basic Policy set out above in section 1. (1) 'Basic Policy Regarding the Persons Who Control Decisions on the Company's Financial and Business Policies' for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

As set out in the Basic Policy, the Board of Directors believes that persons who would propose a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who control decisions on the Company's financial and business policies. The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, and on the occasion that the Company receives a large-scale acquisition proposal from an acquirer, to enable the Board of Directors to present an alternative proposal to the shareholders or ensure necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition, and to enable the Board of Directors to negotiate for the benefit of the shareholders.

The Company believes that it is necessary that the Company's takeover defense measures must be based on and in accordance with the reasonable decision of the shareholders, and therefore requests the shareholders for an approval of the Plan.

2. Details of Proposal

(1) Plan Outline

The Plan sets out procedures necessary to achieve the purpose stated in section 1. (2) above, including requirements for acquirers to provide information in advance in the case that the acquirer intends to make an acquisition of 20% or more of the Company's share certificates[1] or other equity

[1] The Company is no longer a company issuing share certificates since the electronic share certificate system came into effect; however, we use the term "share certificate" in the Plan in accordance with the provisions of the Financial Instruments and Exchange Act from the perspective that using descriptions in the Plan that are in accordance with the provisions of the Financial Instruments and Exchange Act will contribute to clarity and objectivity.

securities. In addition, an acquirer, etc. must not effect an acquisition until and unless the Board of Directors resolves not to trigger the Plan if the procedures for the Plan has commenced. (See section 2. (2) 'Procedures for Triggering the Plan' below for details.)

In cases such as where an acquirer does not follow the procedures set out in the Plan, or a large-scale acquisition of shares and other equity securities in the Company could harm the corporate value of the Company and, in turn, the common interests of its shareholders (see section 2. (3) 'Requirements for the Gratis Allotment of Stock Acquisition Rights' below for the details of the requirements), the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the acquirer, etc. to exercise the rights (except where any exception event occurs) and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares and other equity securities in the Company from persons other than the acquirer, etc. (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) 'Outline of the Gratis Allotment of Stock Acquisition Rights'; the relevant stock acquisition rights are hereinafter referred to as the "Stock Acquisition Rights"), by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) to all shareholders, except the Company, at that time.

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the acquirer, etc. received the Company's shares as a result of those shareholders exercising or the Company acquiring the Stock Acquisition Rights, the ratio of voting rights in the Company held by the acquirer, etc. may be diluted by up to a maximum of 50%.

For matters such as the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights or the acquisition of Stock Acquisition Rights, the Company will obtain an objective determination from the independent committee, which is composed of members who are independent from the management of the Company such as outside directors subject to the rules of the independent committee in order to eliminate arbitrary decisions by directors. In addition, the Board of Directors may, if prescribed in the Plan, convene a meeting of shareholders and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights.

Transparency with respect to the course of those procedures will be ensured by timely information disclosure to all of the Company's shareholders.

(2) Procedures for Triggering the Plan

(a) Targeted Acquisitions

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) or (ii) below or any similar action (including a proposal for such action) (except for such action as the Board of Directors separately determines not to be subject to the Plan; the "Acquisition") takes place.

(i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*)[2] of a holder (*hoyuusha*)[3] totaling at least 20% of the share certificates, etc. (*kabuken tou*)[4] issued by the Company; or

(ii) A tender offer (*koukai kaitsuke*)[5] that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*)[6] and the ownership ratio

[2] Defined in Article 27-23.4 of the Financial Instruments and Exchange Act. The same is applied throughout this document.
[3] Including persons described as a holder under Article 27-23.3 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors). The same is applied throughout this document.
[4] Defined in Article 27-23.1 of the Financial Instruments and Exchange Act. The same is applied throughout this document unless otherwise provided for.
[5] Defined in Article 27-2.6 of the Financial Instruments and Exchange Act. The same is applied throughout this document.
[6] Defined in Article 27-2.8 of the Financial Instruments and Exchange Act. The same is applied throughout this document.
[7] Defined in Article 27-2.7 of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that persons provided for in Article 3.2 of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons

of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)[7] totaling at least 20% of the share certificates, etc. (*kabuken tou*)[8] issued by the Company.

(b) Submission of Acquirer's Statement

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

(c) Request to the Acquirer for the Provision of Information

The Company will provide the Acquirer the format for the Acquisition Document (defined below), including a list of information that the Acquirer should provide to the Company, no later than 10 business days after receiving the Acquirer's Statement. The Acquirer must provide the Board of Directors with the document in the form provided by the Company (the "Acquisition Document"), which includes the information described in each item of the list below ("Essential Information").

If the Board of Directors receives the Acquisition Document, it will promptly send it to the Independent Committee (standards for appointing members, requirements for resolutions, resolution matters, and other matters concerning the Independent Committee are as described in Note 9[9] and business backgrounds and other matters regarding members of the Independent

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described in Article 27-2.7(i) of the Financial Instruments and Exchange Act. The same is applied throughout this document.

[8] Defined in Article 27-2.1 of the Financial Instruments and Exchange Act.

[9] The outline of the rules of the Independent Committee is set out as follows:

- The Independent Committee will be established by resolution of the Board of Directors.
- There will be no less than three members in the Independent Committee, and the Board of Directors shall elect the members from (i) outside directors of the Company, (ii) outside audit & supervisory board members of the Company, or (iii) other outside experts, in each case someone who is independent from the management that executes the business of the Company. However, such experts must be experienced corporate managers, former government employees, parties with knowledge of the investment banking industry, parties with knowledge of the Company's business, lawyers, certified public accountants, researchers whose research focuses on the Companies Act or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Board of Directors that contains a provision obligating the experts to exercise their duty of care to the Company or a similar provision.
- Unless otherwise determined by a resolution of the Board of Directors, the term of office of members of the Independent Committee will be until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the Meeting. However, the term of office of any member of the Independent Committee who is an outside director or outside audit & supervisory board members of the Company will end at the same time when they cease to be an outside director or outside audit & supervisory board member (except in the case of their re-appointment).
  The term of office of a member of the Independent Committee who is elected as a substitute for a member of the Independent Committee who retires before the expiration of the term will be until the expiration of the term of office of the retiring member of the Independent Committee.
- The Independent Committee will make decisions or take any other measures as prescribed regarding the matters listed below.
  (a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.
  (b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.
  (c) Any other matters that are for determination by the Board of Directors in respect to which it has consulted the Independent Committee.
- As a general rule, resolutions of meetings of the Independent Committee shall pass with a majority when all of the members of the Independent Committee are in attendance (including attendance via video conference

Committee at the time of the Renewal areas described in Note 10[10]). If the Board of Directors and the Independent Committee determine that the Acquisition Document does not contain sufficient Essential Information, it may set a reply period and request that the Acquirer additionally provide information. In such case, the Acquirer should additionally provide such information within the relevant time limit.

The Company defines 60 days from the day following the day when the Company's Board of Directors first provides the Acquirer with the format for the Acquisition Document as the maximum period when the Company's Board of Directors and the Independent Committee request the Acquirer to provide information and the Acquirer replies to the request ("Period for Providing Information"). Even if sufficient Essential Information is not provided, the Independent

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or telephone conference). However, in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the Independent Committee are in attendance.

[10] The following three persons will be the members of the Independent Committee upon the Renewal.:

Kenichi Shohtoku,:

Oct. 1995	Joined Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC)
Sep. 1999	Seconded to Arthur Andersen & Co., Kuala Lumpur Office
Sep. 2002	Joined SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd)
Nov. 2003	Representative Director of SCS Global Accounting Co., Ltd. (current position)
Sep. 2005	Director of O-RID GLOBAL BPO PTE. LTD.
Dec. 2010	Outside Audit & Supervisory Board Member of ROKI TECHNO CO., LTD.
Feb. 2012	Director of the Company (current position)
Jan. 2013	Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. (current position)

*Mr. Kenichi Shohtoku is an outside director as set out in Article 2, Item 15 of the Companies Act.
Mr. Shohtoku does not have any special interest in the Company and there is no business relationship between Mr. Shohtoku and the Company.

Hiroyuki Kobayashi:

Apr. 1987	Joined the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.)
Apr. 2000	Seconded to Mizuho Securities Co., Ltd.
Apr. 2003	Head of Advisory Department IV of Mizuho Securities Co., Ltd.
Jun. 2005	Joined Sophia Corporation
Apr. 2006	Vice President and Director of Sophia Corporation
Dec. 2006	Joined Mizuho Securities Co., Ltd.
Jun. 2008	Deputy Head of Corporate Planning Department of Mizuho Securities Co., Ltd.
Dec. 2011	Head of Corporate Communications Department of Mizuho Securities Co., Ltd.
Apr. 2014	Senior Corporate Officer attached to Head of Corporate Investment Services & Retail Business Division of Mizuho Securities Co., Ltd.
Apr. 2015	Head of Wealth Management Division, Retail & Business Banking Division of Mizuho Securities Co., Ltd.
Apr. 2017	President & CEO of Social Capital Management, Inc. (current position)
Feb. 2018	Director of the Company (current position)
Apr. 2018	Vice President and Director of Precious Square, Inc. (current position)
Jun. 2019	Outside Auditor of Tohto Suisan Co., Ltd. (current position)
Aug. 2019	Director of SEIWA Co., Ltd. (the predecessor of SEIWA HOLDINGS Co., Ltd.) (current position)
Dec. 2020	Representative Director of WATASU, Inc. (current position)

*Mr. Hiroyuki Kobayashi is an outside director as set out in Article 2, Item 15 of the Companies Act.
Mr. Kobayashi does not have any special interest in the Company and there is no business relationship between Mr. Kobayashi and the Company.

Masao Yamanaka:

Apr. 1997	Registered as attorney-at-law (Daini Tokyo Bar Association)
Jan. 2003	Established Yamanaka Law Office
Apr. 2008	Joined RENAISS Law Office (current position)
May 2012	Outside Auditor of Chiyoda Co., Ltd. (current position)
Jun. 2015	Outside Auditor of System Location Co., Ltd. (current position)
Jun. 2018	Outside Director of ACE SECURITIES CO., LTD. (current position)

*Mr. Masao Yamanaka is an outside director as set out in Article 2, Item 15 of the Companies Act.
Mr. Yamanaka does not have any special interest in the Company and there is no business relationship between Mr. Yamanaka and the Company.

Committee Consideration Period (which will be described in (d) (ii) below) starts immediately when the maximum Period for Providing Information ends. The consideration shall be based on the information that has been provided up to that point of time. (If the Acquirer requests an extension of the period for a reasonable ground, the Company's board of directors and The Independent Committee may extend the period as necessary.)

(i) Details (including name, capital structure, financial position, operation results, status of compliance with laws or ordinances, terms of previous transactions by the Acquirer similar to the Acquisition and effects on the corporate value of the target companies as a result of the transactions) of the Acquirer and its group (including Joint Holders[11], persons having a special relationship, members (in the case of a fund) and persons having a special relationship with a person in relation to whom the Acquirer is the controlled corporation[12])[13].

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

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

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

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

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

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

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

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

(d) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(i) Request to the Board of Directors for the Provision of Information

If the Acquirer submits the Acquisition Document and any additional information that the Independent Committee requests (if any), the Independent Committee may set a reply period (up to sixty days as a general rule) taking into account the necessary time for the Board of Directors to collect information and consider corporate valuation and other matters (including consideration by third-party experts as necessary) and request that the Board of Directors present an opinion (including an opinion to refrain from giving such opinion; hereinafter the same) on the Acquirer's Acquisition terms, materials supporting such opinion, an alternative proposal (if any), and any other information that the Independent Committee considers necessary.

(ii) Independent Committee Consideration

The Independent Committee will conduct its consideration of the Acquisition terms, collection

[11] Defined in Article 27-23.5 of the Financial Instruments and Exchange Act, including persons deemed as a Joint Holder under Article 27-23.6 of the Financial Instruments and Exchange Act (including persons who are deemed a Joint Holder by the Board of Directors). The same is applied throughout this proposal.

[12] Defined in Article 9.5 of the Order of the Enforcement of the Financial Instruments and Exchange Act.

[13] If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.

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

In order to ensure that the Independent Committee's decision contributes to the Company's corporate value and, in turn, the common interests of its shareholders, the Independent Committee may, at the cost of the Company, obtain advice from independent third parties (including financial advisers, attorneys, certified public accountants, tax accountants, consultants or any other experts). If the Independent Committee directly or indirectly requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the Independent Committee, the Acquirer must promptly respond to such request.

(e) Recommendation by the Independent Committee

The Independent Committee will make recommendations to the Board of Directors as follows based on the abovementioned procedures.

(i) Recommendation for the Triggering of the Plan

If the Independent Committee determines that the Acquisition falls under any of the trigger events set out below in (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights' (collectively "Trigger Event") arises with respect to the Acquisition, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights (the outline of the stock acquisition rights to be allotted is set out below in section 2. (4) 'Outline of the Gratis Allotment of Stock Acquisition Rights') to the Board of Directors except in any specific case where further disclosure of information by the Acquirer or discussion or negotiation with the Acquirer is necessary. If it is concerned that an Acquisition may fall under the Trigger Event (2) set out below in section 2. (3), 'Requirements for the Gratis Allotment of Stock Acquisition Rights,' the Independent Committee may recommend implementation of the gratis allotment of Stock Acquisition Rights subject to confirming the shareholders' intent in advance.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of the events in (A) or (B) below applies, it may make a new recommendation that (i) on or before the second business day prior to the ex-rights date with respect to the gratis allotment of Stock Acquisition Rights, the Company should suspend the gratis allotment of Stock Acquisition Rights, or (ii) from the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights, the Company should acquire the Stock Acquisition Rights for no consideration.

(A) The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.

(B) There is no longer any Trigger Event due to a change or the like in the facts or other matters on which the recommendation decision was made.

(ii) Recommendation for the Non-Triggering of the Plan

If the Independent Committee determines the Acquisition does not fall under either Trigger Event, the Independent Committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Board of Directors, regardless of whether the Independent Committee Consideration Period has ended.

Notwithstanding the foregoing paragraph, even after the Independent Committee has already made one recommendation for the non-implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts or other matters on which the recommendation decision was made and a Trigger Event arises, the Independent Committee may make a new recommendation that the Company should implement the gratis allotment of Stock Acquisition Rights.

(iii) Extension of the Independent Committee Consideration Period

If the Independent Committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights during the initial Independent Committee Consideration Period, the Independent Committee may, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, consideration of an alternative proposal and discussion and negotiation with the Acquirer, extend the Independent Committee Consideration Period (in principle up to 30 days in total).

If the Independent Committee Consideration Period is extended because of the above resolution, the Independent Committee will continue to collect information, deliberate and perform similar activities, and use its best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(f) Resolutions by the Board of Directors

If any recommendation of the Independent Committee described above is made, the Board of Directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights respecting that recommendation to the maximum extent. If a meeting of shareholders is convened in accordance with (g) below, the Board of Directors will pass a resolution in accordance with the resolution at the meeting of shareholders.

(g) Convocation of the Shareholders Meeting

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

(h) Information Disclosure

When operating the Plan, the Company will disclose, in a timely manner, information on matters that the Board of Directors considers appropriate including the progress of each procedure set out in the Plan (including the fact that the Acquirer's Statement and Acquisition Document have been submitted and the Independent Committee Consideration Period has commenced, and the fact that the Independent Committee Consideration Period has been extended, as well as the extended period and the reason for the extension), or an outline of recommendations made by the Independent Committee, an outline of resolutions by the Board of Directors and an outline of resolutions at the Shareholders Meeting, in accordance with the applicable laws and ordinances or the regulations of the financial instruments exchange.

(3) Requirements for the Gratis Allotment of Stock Acquisition Rights

The requirements to trigger the Plan to implement a gratis allotment of Stock Acquisition Rights are as follows. As described above in (e) of (2), 'Procedures for Triggering the Plan,' the Board of Directors will make a determination as to whether any of the following requirements applies to an Acquisition for which the recommendation by the Independent Committee has been obtained.

Trigger Event (1)

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

Trigger Event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights.

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

(i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price.

(ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.

(iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.

(iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

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

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

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

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

(4) Outline of the Gratis Allotment of Stock Acquisition Rights

The following is an outline of the gratis allotment of Stock Acquisition Rights scheduled to be implemented under the Plan.

(a) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the same number as the most recent total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors or general meeting of shareholders relating to the gratis allotment of Stock Acquisition Rights (the "Gratis Allotment Resolution").

(b) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights to shareholders, other than the Company, who are recorded in the Company's last register of shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for each share in the Company held.

(c) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(d) Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company[14] to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") will, in principle, be one share.

(e) Amount to be Contributed upon Exercise of Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range of a minimum of one yen and a maximum of the amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means an amount equivalent to the average closing price (including quotations) for regular transactions of the common stock of the Company on the Tokyo Securities Exchange on each day during the three-month period prior to the Gratis Allotment Resolution (excluding the days on which trades are not made), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

(f) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period is referred to as the "Exercise Period Commencement Date"), and the period will, in principle, be a period from one month to six months long as separately determined in the Gratis Allotment Resolution.

(g) Conditions for Exercise of Stock Acquisition Rights

Except where any exceptional event[15] occurs, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below are collectively be referred to as "Non-Qualified Parties"):

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[14] Even if the Company becomes a company issuing class shares (Article 2, Item 13 of the Companies Act) in the future, both (i) the shares in the Company to be delivered upon exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for acquisition of Stock Acquisition Rights are the same class of shares of common stock that have been issued at the time of the Meeting.

[15] Specifically, the Company intends to set out that an "exeptional event" means when (x) the Acquirer cancels or revokes the Acquisition, or promises that it will not conduct any subsequent Acquisition, after the Gratis Allotment Resolution and the Acquirer or other Non-Qualified Parties dispose of their shares in the Company through a securities firm appointed and authorized by the Company to do so and (y) the Acquirer's shareholding ratio determined by the Board of Directors (when calculating the shareholding ratio, Non-Qualified Parties other than the Acquirer and its Joint Holders are deemed to be the Acquirer's Joint Holders, and Stock Acquisition Rights held by Non-Qualified Parties, the conditions of which have not been satisfied, are excluded) (the "Non-Qualified Parties Shareholding Ratio") falls below the lower of (i) the Non-Qualified Parties' Shareholding Ratio before the Acquisition, or (ii) 20%, the Acquirer or other Non-Qualified Parties making the disposal may exercise Stock Acquisition Rights to the extent that the number of shares to be issued or delivered upon exercise of the Stock Acquisition Rights is up to the number of shares disposed of and to the extent of the ratio under either (i) or (ii) above. Detailed conditions and procedures for exercise of Stock Acquisition Rights by Non-Qualified Parties will be determined separately by the Board of Directors.

(I) Specified Large Holders;[16]

(II) Joint Holders of Specified Large Holders;

(III) Specified Large Purchasers;[17]

(IV) Persons having a Special Relationship with Specified Large Purchasers;

(V) Any transferee of, or successor to, the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Board of Directors; or

(VI) Any Affiliated Party[18] of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company subject to compliance with applicable laws and ordinances as set out in (ii) of paragraph (i) below, 'Acquisition of the Stock Acquisition Rights by the Company'). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other covenants, may not exercise the Stock Acquisition Rights.

(h) Assignment of Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Board of Directors.

(i) Acquisition of Stock Acquisition Rights by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Board of Directors deems that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Stock Acquisition Rights for no consideration.

(ii) On a day that falls on a date separately determined by the Board of Directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date separately determined by the Board of Directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for each Stock Acquisition Right.

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[16] "Specified Large Holder" means, in principle, a party who is a holder of share certificates, etc. issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is at least 20% (including any party who is deemed applicable to the above by the Board of Directors); provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or a certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same is applied throughout this proposal.

[17] "Specified Large Purchaser" means, in principle, a person who makes a public announcement of purchase, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same is applied throughout this Note 17) of share certificates, etc. (as defined in Article 27-2.1 of the Financial Instruments and Exchange Act; the same is applied throughout this Note 17) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7.1 of the Order of the Enforcement of the Financial Instruments and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a person having a special relationship; provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders or certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same is applied throughout this proposal.

[18] An "Affiliated Party" of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3.3 of the Enforcment Regulations of the Companies Act) of other corporations or entities.

Further, if, on or after the date upon which the acquisition takes place, the Board of Directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties[19], the Company may, on a day falling on a date determined by the Board of Directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Board of Directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

(j) Delivery of Stock Acquisition Rights in Case of Merger (*gappei*), Absorption-type Demerger (*kyushu bunkatsu*), Incorporation-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*)

These matters will be separately determined in the Gratis Allotment Resolution.

(k) Issuance of Certificates Representing the Stock Acquisition Rights

Certificates representing the Stock Acquisition Rights will not be issued.

(l) Other

In addition to the above, the details of the Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(5) Effective Period, and Abolition, Revision or Amendment of the Plan

The effective period of the Plan (the "Effective Period") will be the period until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within three years after the conclusion of the Meeting.

However, if, before the expiration of the Effective Period, the Board of Directors resolves to abolish the Plan, the Plan will be abolished at that time.

Further, the Board of Directors may revise or amend the Plan even during the Effective Period of the Plan in cases where any law, ordinance, or regulations or rules of a financial instruments exchange or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, or cases where the revision or amendment does not cause any disadvantage to the Company's shareholders subject to the approval of the Independent Committee.

If the Plan is abolished, revised, amended or the like, the Company will promptly disclose facts including the fact that such abolition, revision or amendment has taken place, and (in the event of a revision or amendment) the details of the revision, amendment and any other matters.

(6) Revision Due to Amendment to Laws and Ordinances

The provisions of laws and ordinances referred to under the Plan are subject to the prevailing provisions as of January 25, 2018. If it becomes necessary after such date to revise the terms and conditions or definitions of terms set out in the paragraphs above due to the establishment, amendment or abolishment of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above will be read accordingly as required to a reasonable extent, taking into consideration the purposes of such establishment, amendment or abolishment.

End

[19] For example, the case of a person who initially had a Special Relationship with a Specified Large Purchaser but cancels the relationship with the Specified Large Purchaser after the triggering of the Plan and thereby is no longer a Non-Qualified Party.

(Attachment)

Business Report

(From December 1, 2019 to November 30, 2020)

1. Current status of the Group

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

a. Business developments and results

During the fiscal year ended November 30, 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 resurgence 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 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 as of October 2020 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 resurgence of infection, 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 ¥63,939 million (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 built 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 from the balance of assets under management mainly due to property dispositions by funds, ¥346,926 million was added to the balance of assets under management (Note) ¥846,478 million for the end of the previous fiscal year, due to new large asset management contracts. 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 (down 59.8% year on year) and segment loss was ¥673 million (in comparison with segment profit of ¥99 million in the previous fiscal year).

Business segment	Revenue
Revitalization Business	¥31,154 million
Development Business	¥16,171 million
Rental Business	¥5,810 million
Fund and Consulting Business	¥5,676 million
Property Management Business	¥4,690 million
Hotel Business	¥437 million
Total	¥63,939 million

b. Status of capital investments

Capital investments for the Group executed during the fiscal year under review totaled ¥3,696 million.

c. Status of financing

The Group raised funds of ¥33,963 million by means of non-current borrowings during the fiscal year under review.

(2) Status of operating results and assets

a. Trends in operating results and assets of the Group

	68th term (Year ended November 30, 2017)	69th term (Year ended November 30, 2018)	70th term (Year ended November 30, 2019)	**71st term (Year under review) (Year ended November 30, 2020)**
Revenue (Thousands of yen)	57,754,328	61,543,319	60,727,704	**63,939,781**
Profit before tax (Thousands of yen)	9,049,467	10,171,017	12,090,095	**5,901,313**
Profit attributable to owners of the parent (Thousands of yen)	6,155,169	6,852,237	8,447,032	**3,602,339**
Basic earnings per share (Yen)	127.48	141.36	176.40	**76.05**
Total assets (Thousands of yen)	122,550,281	138,768,538	161,894,056	**161,684,503**
Total equity (Thousands of yen)	46,158,867	52,021,782	58,306,499	**58,969,524**

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

b. Trends in operating results and assets of the Company

	68th term (Year ended November 30, 2017)	69th term (Year ended November 30, 2018)	70th term (Year ended November 30, 2019)	**71st term (Year under review) (Year ended November 30, 2020)**
Net sales (Thousands of yen)	45,491,580	48,061,639	48,861,295	**51,958,230**
Ordinary income (Thousands of yen)	7,218,097	6,770,624	9,770,383	**3,382,780**
Net income (Thousands of yen)	5,449,682	5,054,356	7,273,194	**2,594,607**
Net income per share (Yen)	112.87	104.27	151.89	**54.77**
Total assets (Thousands of yen)	115,196,337	127,844,930	149,812,509	**148,071,547**
Net assets (Thousands of yen)	42,889,054	46,965,634	52,076,260	**51,737,131**

(Notes) 1. The above table has been made under Japanese GAAP.
2. The Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the 70th term, and indicators for the 69th term were adjusted retrospectively in accordance with the said accounting standard, etc.

(3) Status of significant parent company and subsidiaries

a. Status of significant subsidiaries

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

(Notes) 1. As of April 1, 2020, Tosei Hotel Kanda Co., Ltd. and Tosei Hotel Makuhari Co., Ltd. have been terminated as a result of merger through absorption with Tosei Hotel Management Co., Ltd.

2. CSC has been excluded from the scope of consolidation as a result of the completion of liquidation as of May 25, 2020.

b. Results of business combinations

There were no applicable matters in the fiscal year under review.

(4) Issues to be addressed

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.

Amid this business environment, 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 forward in pursuit of the infinite growth potential of the Group.

<Main Policy of the Medium-term Management Plan "Infinite Potential 2023">
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 of the Medium-term Management Plan "Infinite Potential 2023">
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 of the Medium-term Management Plan "Infinite Potential 2023">
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.

The Group’s business and financial issues to be addressed preferentially are as follows:

1. Business issues

Segment	Issues to be addressed preferentially Note: “E” and “S” stand for environmental and social aspects of ESG, respectively.
Revitalization Business	1. Clarify acquisition policy according to property size and location and expand investment target; gather information efficiently by leveraging the Group’s network with major business partners and strengthen acquisitions
	2. Review value-up guidelines; implement the most appropriate value-up activities suited to property characteristics and customer needs
	3. Expand sales channels and sales methods and pursue efficiency
	4. Strengthen investment judgment by leveraging IT (develop T-Map, a system to visualize real estate prices); nurture persons who can make investment decisions
	5. Research value-up plan in awareness of E and S; increase sales price and enhance brand value
Development Business	1. Clarify acquisition policy according to property type and usage; gather information efficiently by leveraging the Group’s network with major business partners and strengthen acquisitions
	2. Expand sales channels and sales methods according to property characteristics and exit strategy (such as size, area, and customer) and conduct efficient sales
	3. In developing income-generating properties, enhance product development capabilities in attracting quality tenants and improving occupancy rates early
	4. Pursue planning and supply of products in awareness of E and S as well as IoT and 5G

Segment	Issues to be addressed preferentially Note: “E” and “S” stand for environmental and social aspects of ESG, respectively.
Rental Business	1. Increase non-current assets; manage property and acquire environmental certifications in awareness of E and S
	2. Improve occupancy rates early and continue stable occupancy
	3. Enhance property management capability as a building owner; transform operation process by promoting use of IT and leveraging DX
Fund and Consulting Business	1. Increase the balance of assets under management (REIT, private placement funds, and CRE)
	2. Maximize customer (investor) profit by providing high-quality services
	3. Establish system for implementing ESG and SDGs required of a real estate asset management company
Property Management Business	1. Strengthen capacity for new acquisition that accommodates increase in number of properties under management as well as work on improving operation quality and CS; establish implementation system for SDGs befitting a company that provides one-stop service for property management and building management
	2. Strengthen asset management capacity aiming for increase in property management of logistics facilities
	3. Increase profit margin by streamlining operation through leveraging IT and reducing cost
Hotel Business	1. Achieve early recovery of occupancy rate and record operating profit; improve occupancy rate by appealing to non-price factors (expand sales channel, improve brand recognition, differentiate with competitors by providing emotional value and meeting experiential consumption needs
	2. Establish and strengthen management system to expand hotel business
	3. Provide appealing menus in awareness of E and S; increase repeat customers; increase daily rate

2. Financial issues

Segment	Issues to be addressed preferentially
Financial strategy	1. Enhance funding capabilities commensurate with the expansion of business (Increase credit line, improve funding terms for acquiring non-current assets, implement bank formation strategy)
	2. Maintain equity ratio of over 35% through capital allocation that considers the balance of growth investment, financial discipline, and return of profits to shareholders; achieve net debt-to-equity ratio of approximately 1.0 times, ratio of stable businesses (operating profit basis) of over 50%
	3. Achieve ROE of over 12% which exceeds cost of capital (Target for the final year of the medium-term management plan)
	4. Reduce cost and administrative burden through efficient Group-wide fund management

(5) Major lines of business (As of November 30, 2020)

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

(6) Major business offices (As of November 30, 2020)

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

(Notes) 1. As of April 1, 2020, Tosei Hotel Kanda Co., Ltd. and Tosei Hotel Makuhari Co., Ltd. have been terminated as a result of merger through absorption with Tosei Hotel Management Co., Ltd.
2. CSC has been excluded from the scope of consolidation as a result of the completion of liquidation as of May 25, 2020.

(7) Status of employees (As of November 30, 2020)

a. Status of employees of the Group

Segment	Number of employees	Year-on-year change
Revitalization Business	73	(8)
Development Business	83	3
Rental Business	18	(1)
Fund and Consulting Business	83	12
Property Management Business	129	5
Hotel Business	58	34
Group-wide (common)	65	7
Total	509	52

(Note) The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees was 141.

b. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average years of service
195	4	37.9 years old	5.7 years

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

(8) Major lenders (As of November 30, 2020)

Lender	Loan balance
Sumitomo Mitsui Banking Corporation	¥12,442 million
Mizuho Bank, Ltd.	¥11,356 million
MUFG Bank, Ltd.	¥6,429million
The Tokyo Star Bank, Limited	¥5,987 million
Sumitomo Mitsui Trust Bank, Limited	¥5,687 million

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

Not applicable.

2. Current status of the Company

(1) Status of shares (As of November 30, 2020)

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

b. Total number of shares issued 48,683,800 shares (incl. 1,508,353 treasury shares)

c. Number of shareholders 22,749

d. Major shareholders (Top 10)

Name of shareholder	Number of shares held	Holding ratio
Seiichiro Yamaguchi	12,885,500 shares	27.31%
Zeus Capital Limited	6,000,000 shares	12.71%
QUINTET PRIVATE BANK (EUROPE) S.A. 107704	3,777,400 shares	8.00%
SSBTC CLIENT OMNIBUS ACCOUNT	1,804,400 shares	3.82%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,523,200 shares	3.22%
Custody Bank of Japan, Ltd. (Trust Account)	851,900 shares	1.80%
GOLDMAN SACHS & CO. REG	843,223 shares	1.78%
GOVERNMENT OF NORWAY	835,929 shares	1.77%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	778,400 shares	1.65%
SMBC Nikko Securities Inc.	628,700 shares	1.33%

(Note) The holding ratio has been calculated by deducting the treasury shares (1,508,353 shares) and rounding it down to the second decimal place.

e. Other important matters regarding shares

At the Board of Directors' meeting held on April 6, 2020, the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of this act, and repurchased the shares as follows.

Class of shares repurchased	Ordinary shares
Total number of shares repurchased	499,500 shares
Total value of shares repurchased	¥499,965,000
Period for repurchase	From April 8, 2020 to July 7, 2020
Method of repurchase	Discretionary investment by a securities company

(2) Status of stock acquisition rights, etc.

a. Status of stock acquisition rights delivered to and held by officers as consideration for execution of duties (As of November 30, 2020)

Stock acquisition rights by resolution of the Board of Directors held on April 25, 2019 (Sixth Series of Stock Acquisition Rights)

- Number of stock acquisition rights

  895 units

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

  89,500 ordinary shares (100 shares per stock acquisition right)

- Amount to be paid in for stock acquisition rights

  ¥11,400 per stock acquisition right (¥114 per share)

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

¥100,600 per stock acquisition right (¥1,006 per share)

- Period during which stock acquisition rights may be exercised

  From May 1, 2021 to April 25, 2024

- Terms and conditions for exercising stock acquisition rights

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

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

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

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

	Number of stock acquisition rights	Class and number of shares delivered upon exercise of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	855 units	85,500 ordinary shares	6
Outside Directors	40 units	4,000 ordinary shares	2

(Note) The number of stock acquisition rights stated in “Directors (excluding Outside Directors)” above includes stock acquisition rights that were delivered as portions for employees before assuming office as Director.

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

Not applicable

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

Not applicable.

(3) Status of officers of the Company

a. Status of Directors and Audit & Supervisory Board Members (As of November 30, 2020)

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and CEO	Seiichiro Yamaguchi	President and CEO
Director	Noboru Hirano	CFO and Senior Executive Officer of Administrative Division In charge of Human Resource Department Representative Director of Tosei Revival Investment Co., Ltd. Director of Tosei Community Co., Ltd. Director of Tosei Asset Advisors, Inc.
Director	Masaaki Watanabe	Managing Executive Officer and Deputy Chief of Business Division In charge of Asset Solution Department 5
Director	Hideki Nakanishi	Managing Executive Officer and Deputy Chief of Business Division In charge of Asset Solution Department 1 Director of Tosei Revival Investment Co., Ltd.
Director	Shunsuke Yamaguchi	Executive Officer In charge of Finance Department, General Affairs Department and DX Promotion Department Audit & Supervisory Board Member of Tosei Asset Advisors, Inc.
Director	Hitoshi Oshima	Executive Officer In charge of Asset Solution Department 4
Director	Kenichi Shohtoku	Representative Director of SCS Global Consulting (S) Pte Ltd. Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD.
Director	Hiroyuki Kobayashi	CEO of Social Capital Management, Inc. Vice President and Director of Precious Square, Inc. Outside Auditor of Tohto Suisan Co., Ltd. Director of SEIWA Co., Ltd. (the predecessor of SEIWA HOLDINGS Co., Ltd.)
Director	Masao Yamanaka	Partner lawyer of RENAISS Law Office Outside Auditor of Chiyoda Co., Ltd. Outside Auditor of System Location Co., Ltd. Outside Director of ACE SECURITIES CO., LTD.
Audit & Supervisory Board Member (full-time)	Yutaka Kitamura	
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	Audit & Supervisory Board Member of Tosei Hotel Management Co., Ltd. Audit & Supervisory Board Member of Tosei Hotel Service Co., Ltd.
Audit & Supervisory Board Member	Tatsuki Nagano	Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. Outside Director of System Location Co., Ltd.
Audit & Supervisory Board Member	Osamu Doi	

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

b. Director who retired during the fiscal year

Name	Date of retirement	Reason for retirement	Position, areas of responsibility in the Company and important concurrent positions outside the Company at the time of retirement
Katsuhito Kosuge	February 26, 2020	Expiration of the term of office	Director, COO and Senior Executive Officer of Business Division In charge of Asset Solutions Business Promotion Department

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

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

Category	Number of payees	Amount paid
Directors	10	¥239,967 thousand
Audit & Supervisory Board Members	4	¥31,140thousand
Total [Of the above, Outside Directors and Outside Audit & Supervisory Board Members]	14 [7]	¥271,107 thousand [¥49,076 thousand]

(Notes) 1. Maximum total amount of Directors' remuneration is set at ¥500 million (including a maximum of ¥80 million of Outside Directors' remuneration; excluding employee salaries) per year as determined at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020.

In addition to this, Directors' remuneration as stock options within the range of ¥100 million per year (including ¥10 million or less for Outside Directors) was approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019.

2. Maximum total amount of Audit & Supervisory Board Members' remuneration is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004.
3. The amounts paid above include the following:
   - The amount of the remuneration provided as stock options: ¥5,296 thousand (¥5,296 thousand for seven Directors (including ¥236 thousand for two Outside Directors))

d. Policy on determination of remuneration, etc. for Directors and Audit & Supervisory Board Members

i) Remuneration for Directors

With regard to remuneration for Directors, maximum total amount of monetary remuneration and maximum total amount of remuneration as stock options are determined by resolutions of the General Meeting of Shareholders. Remuneration for full-time Directors consists of "fixed remuneration" based on the ratio depending on the position set in accordance with job responsibilities, "performance evaluation-based remuneration" in accordance with each full-time Director's achievement level of targets of business performance, etc., monetary remuneration as "Directors' bonuses" linked to consolidated profit before tax, and "stock options" with the aim of further incentivizing Directors to contribute to the medium- to long-term improvement in corporate value. Remuneration for Outside Directors consists of "fixed remuneration" and "stock options."

Allocation of remuneration to each Director is determined by resolution of the Board of Directors after deliberation in the Nominating and Compensation Advisory Committee, based on an original proposal prepared by the Representative Director.

ii) Remuneration for Audit & Supervisory Board Members

With regard to remuneration for Audit & Supervisory Board Members, maximum total amount of monetary remuneration is determined by resolution of the General Meeting of Shareholders. Allocation of remuneration to each Audit & Supervisory Board Member is determined based on consultation among Audit & Supervisory Board Members.

e. Matters regarding outside officers

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

- Director Kenichi Shohtoku serves concurrently as Representative Director of SCS Global Consulting (S) Pte Ltd., as well as Outside Audit & Supervisory Board Member of ROKI GROUP HOLDINGS CO., LTD. There are no special relationships between the Company and each of the above companies.
- Director Hiroyuki Kobayashi serves concurrently as President and CEO of Social Capital Management, Inc., as well as serving as Vice President and Director of Precious Square, Inc., Outside Auditor of Tohto Suisan Co., Ltd., and Director of SEIWA Co., Ltd. (the predecessor of SEIWA HOLDINGS Co., Ltd.). There are no special relationships between the Company and each of the above companies.
- Director Masao Yamanaka serves concurrently as a partner lawyer of RENAISS Law Office, as well as serving as Outside Auditor of Chiyoda Co., Ltd., Outside Auditor of System Location Co., Ltd., and Outside Director of ACE SECURITIES CO., LTD. There are no special relationships between the Company and each of the above companies.
- Audit & Supervisory Board Member Tatsuki Nagano serves concurrently as Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. He is also Outside Director of System Location Co., Ltd. There are no special relationships between the Company and each of the above companies.

2) Main activities during the fiscal year under review

Position and name	Attendance	Comments and other activities
Kenichi Shohtoku, Director	Meetings of the Board of Directors: 23/25	He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as an accounting expert based on his wide-ranging experience and expertise as a certified public accountant, including overseas service.
Hiroyuki Kobayashi, Director	Meetings of the Board of Directors: 25/25	He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his external objective perspective based on his abundant experience and specialist knowledge gained from his service at major financial institutions and in corporate management.
Masao Yamanaka, Director	Meetings of the Board of Directors: 19/20	He offered advice and proposals to help secure adequate and appropriate decision making by the Board of Directors, mainly by such means as stating opinions from his objective standpoint as a legal expert based on his wide-ranging experience and a high level of expertise on corporate legal affairs as a lawyer.
Yutaka Kitamura, Audit & Supervisory Board Member	Meetings of the Board of Directors: 25/25 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors mainly from a financial and global standpoint based on his abundant experience including overseas assignment at a major financial institution as well as specialist knowledge.
Hitoshi Yagi, Audit & Supervisory Board Member	Meetings of the Board of Directors: 25/25 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate mainly from the standpoint of risk management at meetings of the Audit & Supervisory Board and Board of Directors based on the abundant experience and specialist knowledge that he gained at audit divisions of major financial institutions.

Position and name	Attendance	Comments and other activities
Tatsuki Nagano, Audit & Supervisory Board Member	Meetings of the Board of Directors: 21/25 Meetings of the Audit & Supervisory Board: 14/16	He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors based on his abundant experience and specialist knowledge gained from his service at major financial institutions and in corporate management.
Osamu Doi, Audit & Supervisory Board Member	Meetings of the Board of Directors: 20/25 Meetings of the Audit & Supervisory Board: 16/16	He made necessary comments as appropriate at meetings of the Audit & Supervisory Board and Board of Directors on the basis of his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

(Note) Director Masao Yamanaka was appointed on February 26, 2020 and his activities thereafter are stated above.

f. Outline of content of limited liability agreement

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

<Reference> Independence standards for Outside Directors

Standards for independence for Outside Directors provided by the Company are as follows:

(i) He/she has not been an officer/employee of the Group in the past 10 years;
(ii) He/she is not or was not an employee of any business partner whose value of transaction with the Group accounts for 2% or more of the Company's consolidated revenue (except for a former employee with respect to whom three years or more have passed since he/she ceased to belong to such business partner);
(iii) He/she is not a major shareholder of the Company (holding 10% or more of the total voting rights) or a person who executes its business;
(iv) He/she is not a person with respect to whom the Group holds 10% or more of the total voting rights or a person who executes its business;
(v) He/she is not an attorney, accountant, etc. who receives remuneration of ¥10 million or more per annum from the Group other than remuneration for officers; and
(vi) There are otherwise no circumstances with respect to him/her that may cause doubt as to the independence in executing duties as Independent Outside Director.

(4) Status of Accounting Auditor

a. Name Shinsoh Audit Corporation

b. Amount of remuneration, etc.

Category	Amount paid
Amount of remuneration, etc. to be paid during the fiscal year under review	¥39,000 thousand
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥50,800 thousand

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

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

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

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

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

(5) Systems to ensure properness of operations

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

a. Basic policies for compliance with laws and regulations

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

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

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

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

b. Basic policies for storing and managing information

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

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

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

c. Basic policies for management of risk of loss

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

(ii) Enhance monitoring of risk management.

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

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

d. Basic policies for efficient execution of duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal control system of the Group implemented and operated as of the end of the fiscal year (November 30, 2020) is as follows.

*Major meetings cited in the text

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

a. Compliance with laws and regulations, etc.

i) Ensure awareness regarding compliance with laws and regulations

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

During the fiscal year under review, we had legal advisors offer a training course on the impact of the revised Civil Code on our business, and reviewed the templates for various contracts to focus on promoting legitimate and appropriate business activity.

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

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

As well as the monitoring and supervising system by three Outside Directors including an additional Outside Director appointed at the 70th Ordinary General Meeting of Shareholders (held on February 26, 2020) and four Audit & Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors (held twice during the fiscal year under review), and between Audit &

Supervisory Board Members and legal advisors (held three times during the fiscal year under review), so as to check for any signs of breaches of laws and regulations by the Directors responsible for executing business.

Moreover, full-time Audit & Supervisory Board Members conduct business audits on the Company's businesses and investigation of subsidiaries, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented. Meanwhile, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members, and to conduct training sessions to promote an understanding of the system including protection of whistle-blowers.

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

At important meetings and committees attended by full-time Directors, including those of the Board of Directors, checks are made for signs, or actual occurrences, of breaches of laws and regulations, instructions are given regarding responses, and status reports are made. Also, the Company has established a system to establish a crisis management office headed by the President and CEO and disclose information in a timely and appropriate manner based on the Crisis PR Manual in the event that serious breaches and/or incidents occur.

iv) Eliminate any association with anti-social forces

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

b. Storing and managing information

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

Every fiscal year we implement training for the information asset management, including personal information, and for the prevention of insider trading for all employees of the Company, and by doing so, we have continued to educate and inculcate rules for the handling of important information. In addition, through the trainings, we make employees well aware of measures to be taken by the Company, etc. in the event of infringement of the rules, and make efforts to enhance awareness of information management.

During the fiscal year under review, the Group promoted work from home and other types of telework in response to rising concerns over the spread of COVID-19 in April and May, and consequently focused on providing reminders that contribute to raising awareness of employees on information management, in addition to implementing physical measures for safe handling of information.

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

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

During the fiscal year under review, we started paperless operation at some meeting bodies for the purpose of deterring printed information leakage from important meetings.

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

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

c. Management of risk of loss

i) Ensure thorough understanding, analysis and assessment of risks

In accordance with the risk management and compliance program formulated at the beginning of each fiscal year, we implement a survey to identify about 30 significant risks that have material impacts on the Group's business (once a year), and stress tests (twice a year), taking account of real estate market conditions, transaction conditions, and the financing status of financial institutions. The results are reported at the Board of Directors' meetings.

Regarding the Hotel Business in which a series of new hotels have been opened, we have identified significant risks including emergency accidents and fires (10 risks) with priority on management of risk of general guests being affected by a disaster, set up a manual including business execution procedures to follow in the event of an accident, and implemented drills and trainings regularly at each hotel.

ii) Enhance monitoring of risk management

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

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

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

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

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

During the fiscal year under review, we made efforts to widely inform points to note including on employee attendance management to ensure timely reporting of our COVID-19 measures to full-time Directors. Furthermore, we periodically review the Crisis PR Manual, and develop simulation of possible crisis in response to conditions at the time and consider countermeasures on an ongoing basis.

d. Efficient execution of duties by Directors

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

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

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

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

When drawing up the business plans and budgets for each fiscal year, we analyze the economic environment in Japan and overseas and the operating environment in the real

estate market, conduct separate discussions with each department and Group company without setting goals that are over-ambitious, and make our final decisions as consolidated budgets at the Board of Directors' meeting.

During the fiscal year under review, the Company's Directors including Outside Directors engaged in repeated discussions concerning the formulation of a new medium-term management plan to be implemented from the next fiscal year.

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

We have been implementing organizational changes and other modifications in order to execute business appropriately and efficiently. This is in response to changes in the content of the businesses, the increase in the number of employees associated with the expansion of business including new businesses, and the increase in the number of Group companies, etc. With respect to the crowd funding business which established the first fund during the fiscal year under review, the Company resolved to establish the Crowd Funding Department at the start of the next fiscal year to clarify the line of responsibility and prepare for further growth of the fund size going forward. In addition, the DX Promotion Department was established to study and implement digital transformation in the Group both in terms of business and operation control.

e. Properness of operations of entire Group

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

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

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

Regarding the management of each Group company and significant risks (about 30 items) related to their business, risk evaluations are conducted each fiscal year. At the same time, the Company's full-time Directors, Executive Officers in the Administrative Division, etc. are concurrently appointed as Director or Audit & Supervisory Board Member for each Group company with the remit of monitoring and supervising each Group company's responses to risks. Every month, each Group company reports management conditions and their responses to risks at the meeting of the Board of Directors or pre-Board meeting discussions of the Company, and the Risk Management and Compliance Committee's meeting. Moreover, the response of these Group companies and the results thereof are continuously audited or monitored by the Company's Internal Audit Department, which may also conduct checks using external agencies as necessary. During the fiscal year under review, we built a system for timely and appropriate reporting by each Group company regarding COVID-19.

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

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

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

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

During the fiscal year under review, we held discussions with Group companies on the next medium-term management plan commencing from the next fiscal year at the growth strategy meeting with each Group company.

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

With regard to important matters in the management and latent risks of each Group company, reports are made each month at meetings of the Board of Directors and the Risk Management and Compliance Committee of the Company. Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management and Compliance Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

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

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

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

In addition, the Company replaced the core accounting system during the fiscal year under review, and smoothly transitioned to the new scope and methods of evaluation regarding new IT control centering on the core system, in accordance with consultation with the audit corporation.

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

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

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

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

The Internal Audit Department has been assigned as the department in charge, and the

personnel of the Internal Audit Department provide assistant duties under the command of Audit & Supervisory Board Members and carry out administrative duties for the Audit & Supervisory Board.

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

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

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

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

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

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

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

At the pre-Board meeting discussions of the Company, where each Group company makes the monthly management reporting, and at interviews by full-time Audit & Supervisory Board Members of the Company with representative directors of each Group company held on a regular basis, each Group company is required to report occurrence and signs of any material losses and significant risks associated with management of the Group company. All officers and employees of the Group are continuously informed at morning briefings and training sessions that those who identify any breach of laws and regulations or misconduct have a duty to report Audit & Supervisory Board Members of the Company promptly.

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

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

In the compliance training sessions held during the fiscal year under review, video recording of a lecture by the Company's Director was widely distributed, in an effort to get across to its employees the Group's emphasis on protection of whistle-blowers in the Group whistle-blowing system in particular.

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

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

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

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

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

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

At the Board of Directors' meeting held subsequently to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. Also, Directors receive reports on audit activities by full-time Audit & Supervisory Board Members on a monthly basis, and report at the Board of Directors' meeting once every three months the status of their responses to the issues raised by Audit & Supervisory Board Members through meetings, etc.

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

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

(6) Basic policy regarding the control of the Company

a. Details of the basic policy

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

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

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

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

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

b. Measures to realize the basic policy

1) Special measures to realize the basic policy

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

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 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 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. The summary of the plan is stated in "1. Current status of the Group (4) Issues to be addressed" of the Business Report. We aim to ensure and enhance the common interests of shareholders by improving the Group's corporate value through steady achievement of the targets set in the new medium-term management plan and realization of proper corporate governance.

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

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

(i) Purpose of the Plan

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

(ii) Targeted acquisitions

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

(iii) Submission of Acquirer's Statement

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

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

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

includes the information described in each item of the list below.

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

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

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

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

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

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

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

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

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

(v) Independent Committee Consideration

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

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

(vi) Resolutions by the Board of Directors

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

(vii) Convocation of the Shareholders Meeting

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

(viii) Information disclosure

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

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

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

Trigger Event (1)

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

Trigger Event (2)

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

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

- A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company or the Company's affiliates at a high price
- Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets
- Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company
- Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends

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

unclear)

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

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

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

(x) Outline of the stock acquisition rights

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

(xi) Effective period of the Plan

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

(xii) Impact on shareholders

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

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

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

The Plan is a mechanism to ensure and enhance the corporate value of the Company and the common interests of its shareholders and thus is consistent with the basic policy. In particular, fairness and objectivity are ensured under the Plan because: the Plan satisfies the three principles set out in the Guidelines Regarding Takeover Defense (the Ministry of Economy, Trade and Industry, etc.); approval of the General Meeting of Shareholders has been obtained regarding the renewal of the Plan, the effective period is to be a maximum of approximately three years and the Plan may be abolished at any time by a resolution by the Board of Directors; the Independent

Committee composed of highly independent members including Outside Directors has been established and the Plan must never be triggered without a decision of the Independent Committee; reasonable and objective requirements regarding the triggering are established; the Independent Committee may at the cost of the Company obtain advice from independent third party specialists; the Board of Directors shall, under certain circumstances, confirm the intent of the shareholders at the Shareholders Meeting regarding the need to trigger the Plan; and the Plan is not a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped (dead-hand type), or a takeover defense measure in which it takes long time to replace a majority of the members of the Board of Directors due to a staggered board of directors system (slow-hand type). Accordingly, the purpose of the Plan is not to maintain the position of the Company's Directors and Audit & Supervisory Board Members, but to contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

[To Our Shareholders]

The effective period of the Plan expires at the conclusion of the 71st Ordinary General Meeting of Shareholders of the Company to be held on February 25, 2021. Due to the expiry of the Plan, the Company's Board of Directors determined at the meeting held on January 25, 2021 to partially revise and renew the Plan, subject to approval by the shareholders at the 71st Ordinary General Meeting of Shareholders. Please refer to pages 10 to 24 of the Notice of the 71st Ordinary General Meeting of Shareholders.

<Consolidated Financial Statements>

Consolidated Statement of Financial Position

(As of November 30, 2020)

(¥ thousand)

Assets		**Liabilities**	
Item	Amount	Item	Amount
Current assets	**105,664,073**	**Current liabilities**	**18,786,795**
Cash and cash equivalents	37,039,600	Trade and other payables	5,466,127
Trade and other receivables	3,192,248	Borrowings	11,794,730
Inventories	65,416,925	Current income tax liabilities	925,671
Other current assets	15,298	Provisions	600,264
Non-current assets	**56,020,429**	**Non-current liabilities**	**83,928,183**
Property, plant and equipment	23,495,129	Trade and other payables	3,649,593
Investment properties	26,987,387	Borrowings	79,192,778
Intangible assets	209,663	Retirement benefits obligations	546,421
Trade and other receivables	779,470	Provisions	7,129
Other financial assets	3,972,309	Deferred tax liabilities	532,260
Deferred tax assets	572,454	**Total liabilities**	**102,714,978**
Other non-current assets	4,014	**Equity**	
		Equity attributable to owners of the parent	**58,969,524**
		Share capital	6,624,890
		Capital reserves	6,627,004
		Retained earnings	47,442,372
		Treasury shares	(1,500,055)
		Other components of equity	(224,688)
		Total equity	**58,969,524**
Total assets	**161,684,503**	**Total liabilities and equity**	**161,684,503**

Consolidated Statement of Comprehensive Income

(From December 1, 2019 to November 30, 2020)

(¥ thousand)

Item	Amount
Revenue	**63,939,781**
Cost of revenue	**49,140,392**
Gross profit	**14,799,389**
Selling, general and administrative expenses	8,401,897
Other income	116,612
Other expenses	86,349
Operating profit	**6,427,755**
Finance income	268,037
Finance costs	794,479
Profit before tax	**5,901,313**
Income tax expense	2,298,973
Profit for the year	**3,602,339**
Other comprehensive income	
Items that will not be reclassified to net profit or loss	
Net change in financial assets measured at fair values through other comprehensive income	(518,325)
Remeasurements of defined benefit pension plans	(758)
Total items that will not be reclassified to net profit or loss	(519,083)
Items that may be reclassified to net profit or loss	
Exchange differences on translation of foreign operations	(6,818)
Net change in fair values of cash flow hedges	(11,573)
Total items that may be reclassified to net profit or loss	(18,391)
Other comprehensive income for the year, net of tax	**(537,474)**
Total comprehensive income for the year	**3,064,864**
Profit attributable to:	
Owners of the parent	3,602,339
Total comprehensive income attributable to:	
Owners of the parent	3,064,864

Consolidated Statement of Changes in Equity

(From December 1, 2019 to November 30, 2020)

(¥ thousand)

	Equity attributable to owners of the parent					
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity
Balance as of December 1, 2019	6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499
Comprehensive income for the year						
Profit for the year			3,602,339			3,602,339
Other comprehensive income					(537,474)	(537,474)
Total comprehensive income for the year	–	–	3,602,339	–	(537,474)	3,064,864
Amount of transactions with owners						
Issuance of new shares	45,046	25,441				70,487
Purchase of treasury shares		(7,232)		(500,018)		(507,250)
Dividends from surplus			(1,998,632)			(1,998,632)
Share-based payment		33,556				33,556
Transfer from other components of equity to retained earnings			(758)		758	–
Total amount of transactions with owners	45,046	51,764	(1,999,390)	(500,018)	758	(2,401,839)
Balance as of November 30, 2020	6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524

Notes to Consolidated Financial Statements

1. Significant matters in preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

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

(2) Scope of consolidation

1) Number and names of consolidated subsidiaries

- Number of consolidated subsidiaries: 11
- Names of consolidated subsidiaries: Tosei Community Co., Ltd.
  Tosei Asset Advisors, Inc.
  Tosei Revival Investment Co., Ltd.
  Tosei Urban Home Corporation
  Kishino Corporation
  Masuda Kenzai-ten Co., Ltd.
  Sanki-shoji Co., Ltd.
  Tosei Hotel Management Co., Ltd
  Tosei Hotel Service Co., Ltd.
  Tosei Chintai Hosho LLC
  Tosei Singapore Pte. Ltd.

2) Change in scope of consolidation

Tosei Hotel Kanda Co., Ltd. and Tosei Hotel Makuhari Co., Ltd. have been terminated as a result of merger through absorption with Tosei Hotel Management Co., Ltd., as of April 1, 2020. CSC has been excluded from the scope of consolidation as a result of the completion of liquidation as of May 25, 2020.

(3) Application of equity method

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

(4) Accounting policies

1) Financial instruments

(i) Valuation basis and methods for financial assets

The Group classifies investments in financial assets in three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. This classification is made according to the nature of assets and for what purpose the assets were acquired. The classification of investments is determined on initial recognition, and whether the classification is appropriate is reassessed at each reporting date.

(A) Classification of financial assets

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost, if both of the following conditions are met:

- The asset is held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(b) Financial assets measured at fair value through other comprehensive income (debt financial assets)

Financial assets are classified as financial assets measured at fair value through other comprehensive income, if both of the following conditions are met:

- The asset is held based on a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the assets are measured at fair value and subsequent changes are recognized in other comprehensive income. As of the end of the fiscal year under review, no financial assets measured at fair value through other comprehensive income (debt financial assets) were held by the Group.

(c) Financial assets measured at fair value through other comprehensive income (equity financial assets)

Equity financial assets are classified as financial assets measured at fair value through other comprehensive income, with the exception of some assets.

Of the financial assets measured at fair value through other comprehensive income (equity financial assets) held by the Group, the fair value of listed securities is measured at quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group calculates fair value using certain valuation techniques, in particular, which include recent cases of arm’s length transactions, references to prices of other financial instruments that are substantially equivalent, the discounted cash flow method, and others.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

(B) Recognition and subsequent measurement

Purchase and sale of a financial asset are recognized at the transaction date, which is the date on which the Group commits itself to purchase or sell the asset. A financial asset is derecognized when the rights to receive cash flows from the asset are extinguished or transferred, and the Group has substantially transferred all the risks and economic value incidental to ownership of the asset. Financial instruments are initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

(C) Impairment

The Group assesses financial assets or financial asset groups on a quarterly basis on whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized. Of financial assets measured at

amortized cost, objective evidences for impairment of trade and other receivables are debtors' financial difficulties, possibility of bankruptcy, or impossibility or significant delays of payments. Book values of such assets are written down using allowance based on the amount of impairment loss calculated as the difference between the present value of estimated future cash flows discounted at the initial effective interest rate and the book value. If the asset becomes unrecoverable, the amount of impairment loss is directly reduced from the book value of the financial asset.

Reversal of an amount previously amortized is recognized in the profit or loss item in which impairment loss is accounted for. If such amount can be objectively measured because the amount of impairment loss has decreased resulting from an increase in the present value of estimated future cash flows discounted at the initial effective interest rate, the amount of decrease in the allowance is recognized in profit or loss in subsequent accounting periods. The book value of assets previously impaired are increased within the scope of amount not exceeding the amortized cost that are assumed in case of non-impairment.

For equity financial assets, the possibility that the cost of investment is not recoverable and whether there is a significant or long-term decrease of fair value, which are included in information on significant changes that have adverse effects arising in the business environment where an issuer runs its business, are also taken into account in assessing whether there is any objective evidence for impairment. When there is objective evidence of impairment for equity financial assets, losses, which are measured as the difference between the acquisition cost and the fair value at the reporting date less impairment losses of the financial assets that were previously recognized in profit or loss, are transferred to profit or loss.

(ii) Valuation basis and methods for financial liabilities

The Group recognizes a financial liability at the transaction date on which the Group becomes a party to the contract of the financial instrument.

The Group derecognizes a financial liability when it is extinguished, that is, when the contractual obligation is either discharged, cancelled, or expires.

Furthermore, the Group initially recognizes a financial liability at fair value and subsequently measures at amortized cost based on the effective interest method.

2) Valuation basis and methods for inventories

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

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

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

3) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

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

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

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future

economic benefits related to the items for the Group and the expenditures can be measured reliably. Costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss when incurred.

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

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

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

(ii) Investment properties

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

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

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

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

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

(iii) Intangible assets

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

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

• Software

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

After the acquisition, software is amortized under the straight-line method over its estimated useful life. The estimated useful life and amortization method are reviewed in each fiscal year, and changed if necessary.

(iv) Leases

The Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. When the Group assesses that a contract is or contains a lease, at the commencement of the lease, the Group recognizes right-of-use assets and lease liabilities.

Lease liabilities are measured at the present value of the total accrued lease payments. Right-of-use assets are measured at acquisition costs that are calculated using the amount of the initial measurement of the lease liabilities, adjusted by any initial direct costs incurred by the lessee, such as lease payments made at or before the commencement date.

Subsequent to the initial recognition, the right-of-use assets are depreciated using the straight-line method over their estimated useful life or lease term, whichever is shorter. The lease payments are apportioned between the finance costs and the reduction in the lease liabilities based on the effective interest method. The finance costs are recognized in the consolidated statement of comprehensive income.

Provided, however, for lease payments for short-term leases within 12 months and leases of low-value assets, right-of-use assets and lease liabilities are not recognized, and the lease payments are recognized as an expense over the lease term on a straight-line basis.

4) Recognition of significant provisions

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

5) Employment benefits

(i) Defined benefit pension plans

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

(ii) Defined contribution pension plans

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

(iii) Short-term employee benefits

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

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

6) Revenue

(i) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the five-step approach shown below.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's major businesses are "Revitalization Business," "Development Business," "Rental Business," "Fund and Consulting Business," "Property Management Business" and "Hotel Business." Revenue generated from these businesses is recorded in accordance with contracts

with customers, and recorded at the fair value of the consideration received for the sale of properties and services or receivables net of discounts, rebates and consumption taxes, etc., less internal sales. Revenue is recognized as follows. If consideration is received from a customer before satisfying the performance obligations, it is recognized as a contract liability.

• Sale of properties

With regard to sale of properties, the Group is obliged to transfer a property to a customer based on a property sale and purchase contract with the customer. Such performance obligation is satisfied at a point in time when the property is transferred, and revenue is recognized when the property is transferred.

• Rendering of services

With regard to the rendering of services, revenue is recognized according to the stage of provision of services or when provision of services is finished, and the point at which a performance obligation is satisfied is determined in accordance with the content of a contract with a customer.

(ii) Operating lease of rental properties

Revenue associated with operating lease is recognized on a straight-line basis over the lease period.

(iii) Interest income

Interest income is recognized using the effective interest method.

(iv) Dividend income

Dividend income is recognized when the right to receive dividend is vested.

7) Significant hedge accounting method

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

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

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

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

8) Foreign currency translation methods

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

9) Other significant matters for preparing consolidated financial statements

Accounting for consumption taxes

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

(5) Changes in accounting policies

The Group applied the following standard effective from the fiscal year under review.

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 liabilities. 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 assets are included in “Property, plant and equipment” and “Investment properties” in the consolidated statement of financial position. The lease liabilities are included in “Borrowings” in the 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 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 fiscal year under review from the changes.

(6) Additional information

Impact of COVID-19 on the Group'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-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, 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 30, 2022. The Group made an accounting estimate of inventory valuation, impairment losses on fixed assets, and recoverability of deferred tax assets, etc.

2. Notes to consolidated statement of financial position

(1) Assets pledged as security

	(¥ thousand)
Details of pledged assets and the amounts	
Inventories	62,202,017
Property, plant and equipment	22,683,693
Investment properties	20,780,262
Total	105,665,973
Amount of securitized obligation	
Borrowings	89,294,489
Total	89,294,489

(2) Allowance for credit losses deducted directly from assets ¥5,252 thousand

(3) Accumulated depreciation on assets

	(¥ thousand)
Property, plant and equipment	1,783,060
Investment properties	2,189,450

(4) Change in holding purpose of assets

Leasehold property of ¥4,044,231 thousand previously held as investment properties was transferred to inventories due to the change in business policy. In addition, leasehold property of ¥10,242,194 thousand previously held as investment properties was transferred to property, plant and equipment due to the change in business policy.

Leasehold property of ¥4,613,154 thousand previously held as inventories was transferred to property, plant and equipment due to the change in business policy.

3. Notes to consolidated statement of changes in equity

(1) Class and total number of shares issued

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	48,595,300	88,500	–	48,683,800

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

(2) Class and total number of treasury shares

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	1,008,805	499,548	–	1,508,353

(Note) The increase in the number of treasury shares is mainly due to the acquisition pursuant to the Articles of Incorporation of the Company in accordance with the provision of Article 165, paragraph 2, of the Companies Act.

(3) Dividends from surplus

1) Cash dividends paid, etc.

Matters regarding dividends based on the resolution of the 70th Ordinary General Meeting of Shareholders held on February 26, 2020

- Total dividends ¥1,998,632 thousand
- Dividends per share ¥42
- Record date November 30, 2019
- Effective date February 27, 2020

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

A proposal will be submitted as follows at the 71st Ordinary General Meeting of Shareholders to be held on February 25, 2021.

- Total dividends ¥896,333 thousand
- Dividends per share ¥19
- Dividend resources Retained earnings
- Record date November 30, 2020
- Effective date February 26, 2021

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

670,000 ordinary shares (55,000 shares) of the Company

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

4. Notes on financial instruments

(1) Status of financial instruments

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

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

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

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

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

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

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

(2) Fair values of financial instruments

The carrying amounts in consolidated statement of financial position and the fair values, and differences thereof as of November 30, 2020 are shown below.

(¥ thousand)

	Carrying amount in consolidated statement of financial position	Fair value	Differences
Financial assets			
Financial assets measured at amortized cost			
(1) Cash and cash equivalents	37,039,600	37,039,600	—
(2) Trade and other receivables	3,003,105	3,003,105	—
Financial assets measured at fair value through other comprehensive income			
(3) Other financial assets	3,603,838	3,603,838	—
Financial assets measured at fair value through profit or loss			
(4) Other financial assets	368,471	368,471	—
Financial liabilities			
Financial liabilities measured at amortized cost			
(5) Trade and other payables	6,414,729	6,414,729	—
(6) Borrowings	90,987,508	90,983,844	(3,664)

Method for measuring fair value of financial instruments

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

The book values of these financial instruments that are settled in a short period of time approximate the fair values. However, the fair values of interest rate swaps are based on market values presented by financial institutions.

2) 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 determines fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and the discounted cash flow method.

3) Non-current borrowings

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

5. Notes on investment properties

(1) Status of investment properties

The Company and certain consolidated subsidiaries own rental office buildings mainly in Tokyo to earn rental revenue.

(2) Fair value of investment properties

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

(¥ thousand)

	Carrying amount in consolidated statement of financial position			Fair value at end of the fiscal year
	Balance at beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at end of the fiscal year	
Investment properties	37,868,133	(10,880,745)	26,987,387	42,027,744

(Notes) 1. The carrying amount in consolidated statement of financial position shown above indicates cost less any accumulated depreciation and accumulated impairment losses.

2. For the increase/decrease during the fiscal year, a main increase was new acquisition (¥3,499,568 thousand), and main decreases were transfer to inventories (¥4,044,231 thousand) and transfer to property, plant and equipment (¥10,242,194 thousand) due to the change in business policy.

3. The fair value as of November 30, 2020 was internally calculated in accordance with the Real Estate Appraisal Standards.

6. Per share information

(1) Equity attributable to owners of the parent per share ¥1,250.00

(2) Basic earnings per share ¥76.05

7. Significant subsequent events

Not applicable.

8. Other

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

<Non-consolidated Financial Statements>

Non-Consolidated Balance Sheet

(As of November 30, 2020)

(¥ thousand)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**92,899,932**	**Current liabilities**	**15,417,925**
Cash and deposits	27,846,843	Accounts payable-trade	983,397
Accounts receivable-trade	104,703	Short-term loans payable	183,000
Real estate for sale	45,149,062	Current portion of long-term loans payable	10,958,124
Real estate for sale in process	16,552,152		
Supplies	7,821	Lease obligations	4,494
Short-term loans receivable from subsidiaries and affiliates	1,425,000	Accounts payable-other	728,299
		Accrued expenses	63,013
Accounts receivable-other	1,055,163	Advances received	2,086,284
Advance payments-trade	175,737	Deposits received	208,059
Prepaid expenses	309,614	Provision for bonuses	203,253
Other	274,691	**Non-current liabilities**	**80,916,489**
Allowance for credit losses	(857)	Long-term loans payable	76,947,400
Non-current assets	**55,171,614**	Guarantee deposits	3,100,223
Property, plant and equipment	**45,674,909**	Lease obligations	11,703
Buildings	17,569,128	Asset retirement obligations	7,129
Structures	62,969	Provision for retirement benefits	391,741
Machinery and equipment	55,612	Long-term accounts payable-other for directors	304,034
Vehicles	5,395	Derivative liabilities	27,175
Tools, furniture and fixtures	22,391	Deferred tax liabilities	127,082
Land	27,730,892		
Lease assets	14,700	**Total liabilities**	**96,334,415**
Construction in progress	213,820	**Net assets**	
Intangible assets	**192,674**	**Shareholders' equity**	**51,912,347**
Software	189,285	**Capital stock**	**6,624,890**
Software in progress	1,500	**Capital surplus**	**6,708,366**
Telephone subscription right	1,889	Legal capital surplus	6,708,366
Investments and other assets	**9,304,030**	**Retained earnings**	**40,079,146**
Investment securities	3,821,115	Legal retained earnings	7,250
Stocks of subsidiaries and affiliates	4,409,416	Other retained earnings	40,071,896
Investments in capital	6,150	General reserve	15,000
Long-term loans receivable	2,743	Reserve for tax purpose reduction entry of non-current assets	1,539,134
Long-term loans receivable from subsidiaries and affiliates	250,320		
Long-term prepaid expenses	212,430	Retained earnings brought forward	38,517,762
Long-term accounts receivable-other	71,008	**Treasury shares**	**(1,500,055)**
Claims provable in bankruptcy, claims provable in rehabilitation and other	77	**Valuation and translation adjustments**	**(227,293)**
		Valuation difference on available-for-sale securities	**(208,439)**
Lease and guarantee deposits	526,848	**Deferred gains (losses) on hedges**	**(18,854)**
Other	4,014	**Stock acquisition rights**	**52,077**
Allowance for credit losses	(93)	**Total net assets**	**51,737,131**
Total assets	**148,071,547**	**Total liabilities and net assets**	**148,071,547**

Non-Consolidated Statement of Operations

(From December 1, 2019 to November 30, 2020)

(¥ thousand)

Item	Amount	
Net sales		**51,958,230**
Cost of sales		**44,520,749**
Gross profit		**7,437,481**
Selling, general and administrative expenses		4,584,445
Operating income		**2,853,035**
Non-operating income		
Interest income	17,656	
Dividends income	1,230,196	
Miscellaneous income	56,005	1,303,858
Non-operating expenses		
Interest expenses	755,312	
Stock issue expense	832	
Foreign exchange losses	2,847	
Miscellaneous loss	15,121	774,114
Ordinary income		**3,382,780**
Income before income taxes		**3,382,780**
Income taxes-current	786,493	
Income taxes-deferred	1,679	788,172
Net income		**2,594,607**

Non-Consolidated Statement of Changes in Net Assets

(From December 1, 2019 to November 30, 2020)

(¥ thousand)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					Treasury shares
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings			Total retained earnings	
					General reserve	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward		
Balance at the beginning of the year	6,579,844	6,663,319	6,663,319	7,250	15,000	1,539,134	37,921,787	39,483,171	(1,000,037)
Changes of items during the year									
Issuance of new shares	45,046	45,046	45,046						
Dividends from surplus							(1,998,632)	(1,998,632)	
Net income							2,594,607	2,594,607	
Purchase of treasury shares									(500,018)
Net changes of items other than shareholders' equity									
Total changes of items during the year	45,046	45,046	45,046	—	—	—	595,974	595,974	(500,018)
Balance at the end of the year	6,624,890	6,708,366	6,708,366	7,250	15,000	1,539,134	38,517,762	40,079,146	(1,500,055)

	Shareholders' equity	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	51,726,298	308,757	(6,277)	302,479	47,481	52,076,260
Changes of items during the year						
Issuance of new shares	90,093					90,093
Dividends from surplus	(1,998,632)					(1,998,632)
Net income	2,594,607					2,594,607
Purchase of treasury shares	(500,018)					(500,018)
Net changes of items other than shareholders' equity		(517,197)	(12,576)	(529,773)	4,595	(525,177)
Total changes of items during the year	186,049	(517,197)	(12,576)	(529,773)	4,595	(339,128)
Balance at the end of the year	51,912,347	(208,439)	(18,854)	(227,293)	52,077	51,737,131

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation basis and methods for assets

1) Valuation basis and methods for securities

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

2) Valuation basis and method for derivatives

Derivatives	Stated at fair value

3) Valuation basis and methods for inventories

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

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

(2) Depreciation methods for non-current assets

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

(3) Recognition of allowances

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

	periods up to the fiscal year-end is determined using the benefit formula basis. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.

(4) Other significant matters for preparing financial statements

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

2. Additional information

Impact of COVID-19 on the Company'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-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, commercial facilities, etc. As a result, the Group recorded loss on valuation of inventories (cost of revenue) of ¥7,752,637 thousand. Regarding the impact in each segment, valuation loss amounted to ¥1,499,671 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 30, 2022. The Group made an accounting estimate of inventory valuation, impairment losses on fixed assets, and recoverability of deferred tax assets, etc.

3. Notes to non-consolidated balance sheet

(1) Assets pledged as security

(¥ thousand)

Details of pledged assets and the amounts	
Real estate for sale	44,273,253
Real estate for sale in process	16,511,680
Buildings	16,697,123
Land	23,260,173
Total	100,742,231
Amounts of securitized obligation	
Short-term loans payable	85,500
Current portion of long-term loans payable	10,958,124
Long-term loans payable	76,563,400
Total	87,607,024

(2) Accumulated depreciation on property, plant and equipment ¥3,421,357 thousand

(3) Contingent liabilities

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

Tosei Revival Investment Co., Ltd.	¥607,000 thousand
Tosei Urban Home Corporation	¥148,000 thousand
Kishino Corporation	¥644,800 thousand

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

	(¥ thousand)
1) Short-term monetary receivables	256,919
2) Long-term monetary receivables	71,008
3) Short-term monetary payables	438,194
4) Long-term monetary payables	42,027

(5) Change in holding purpose of assets

Leasehold property previously held as property, plant and equipment of ¥3,004,308 thousand was transferred to real estate for sale due to the change in business policy.

Leasehold property previously held as real estate for sale of ¥4,406,219 thousand was transferred to property, plant and equipment due to the change in business policy.

4. Notes to non-consolidated statement of operations

(1) Volume of transactions with subsidiaries and affiliates

	(¥ thousand)
1) Sales	177,124
2) Purchase amount	1,054,502
3) Other business turnover	150,032
4) Transaction volume other than business turnover	960,739

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

¥7,752,637 thousand

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

Class and total number of treasury shares

(shares)

Class of shares	Number of shares at beginning of the fiscal year under review	Increase	Decrease	Number of shares at end of the fiscal year under review
Ordinary shares	1,008,805	499,548	–	1,508,353

(Note) The increase in the number of treasury shares is mainly due to the acquisition pursuant to the Articles of Incorporation of the Company in accordance with the provision of Article 165, paragraph 2, of the Companies Act.

6. Notes on tax effect accounting

Significant components of deferred tax assets and liabilities

(¥ thousand)

Deferred tax assets	
Accrued enterprise taxes, currently not deductible	19,997
Provision for bonuses	62,236
Loss on valuation of inventories	228,835
Provision for retirement benefits	119,951
Long-term accounts payable-other for directors	93,095
Valuation difference on available-for-sale securities	91,992
Dividends income as withdrawal of investments	661,517
Other	48,602
Subtotal	1,326,228
Valuation reserves	(774,033)
Total deferred tax assets	552,195
Deferred tax liabilities	
Reserve for tax purpose reduction entry of non-current assets	(679,277)
Total deferred tax liabilities	(679,277)
Net deferred tax liabilities	(127,082)

7. Notes on transactions with related parties

Subsidiaries and affiliates

Attribute	Name	Percentage of voting rights (%)	Business relationship	Transaction	Transaction amount (¥ thousand)	Account title	Balance at the end of the fiscal year (¥ thousand)
Subsidiary	Tosei Community Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	150,000	—	—
	Tosei Asset Advisors, Inc.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	720,000	—	—
	Tosei Revival Investment Co., Ltd.	100% direct ownership	Concurrent positions held by officers	Receipt of dividends	50,000	—	—

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

8. Per share information

(1) Net assets per share ¥1,095.59

(2) Net income per share ¥54.77

9. Recognition of revenue

Description is omitted because the same information is stated in “1. Significant matters in preparing consolidated financial statements (4) Accounting policies” in the Notes to Consolidated Financial Statements.

10. Significant subsequent events

Not applicable.

11. Other

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

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Audit Report

January 15, 2021

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Chuo-ku, Tokyo

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Tosei Corporation for the fiscal year from December 1, 2019 to November 30, 2020.

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

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in *Auditor's Responsibility for the Audit of the Consolidated Financial Statements*. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the latter part of Article 120, paragraph 1 of the

Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company

and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Audit Report

January 15, 2021

To the Board of Directors of

Tosei Corporation

Shinsoh Audit Corporation

Chuo-ku, Tokyo

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Opinion

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the balance sheet, the related statements of operations and changes in net assets, the notes to the non-consolidated financial statements, and the supplementary schedules of Tosei Corporation for the 71st term from December 1, 2019 to November 30, 2020.

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

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in *Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules*. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

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

In preparing the financial statements and the accompanying supplementary schedules, management is

responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board

regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

Audit Report by Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 71st term (from December 1, 2019 to November 30, 2020), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

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

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

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

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

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

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

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

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

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

2. Results of Audit

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

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

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

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

January 18, 2021

Audit & Supervisory Board of Tosei Corporation

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

Hitoshi Yagi (Seal)

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

Yutaka Kitamura (Seal)

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

Tatsuki Nagano (Seal)

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

Osamu Doi (Seal)

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