

Quarterly Securities Report

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

from March 1, 2020
to May 31, 2020

TOSEI CORPORATION

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

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on July 10, 2020. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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[Quarterly Review Report of Independent Auditors]

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| Company name (Japanese): | トーセイ株式会社 (<i>Tosei Kabushiki-Kaisha</i>) |
| Company name (English): | TOSEI CORPORATION |
| Title and name of representative: | Seiichiro Yamaguchi, President and CEO |
| Location of head office: | 4-2-3, Toranomom, Minato-ku, Tokyo, Japan |
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| Contact person: | Noboru Hirano, Director and CFO |
| Places where the document to be filed is available for public inspection: | Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo) |

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

| Term | 70th term First six months | 71th term First six months | 70th term |
|---|--|--|---|
| Accounting period | From December 1, 2018 to May 31, 2019 | From December 1, 2019 to May 31, 2020 | From December 1, 2018 to November 30, 2019 |
| Revenue (¥ thousand) [Second quarter of the current fiscal year] | 34,452,685 [17,393,228] | 45,050,321 [21,581,741] | 60,727,704 |
| Profit before tax (¥ thousand) | 7,634,835 | 1,890,888 | 12,090,095 |
| Profit attributable to owners of the parent or Loss attributable to owners of the parent (¥ thousand) [Second quarter of the current fiscal year] | 5,239,985 [3,204,303] | 1,147,607 [(2,440,209)] | 8,447,032 |
| Comprehensive income for the period attributable to owners of the parent (¥ thousand) | 5,322,766 | 592,441 | 8,684,946 |
| Total equity (¥ thousand) | 54,889,255 | 56,661,791 | 58,306,499 |
| Total assets (¥ thousand) | 145,858,280 | 161,154,395 | 161,894,056 |
| Basic earnings per share or Basic loss per share (¥) [Second quarter of the current fiscal year] | 108.79 [66.92] | 24.14 [(51.37)] | 176.40 |
| Diluted earnings per share (¥) | 108.72 | 24.06 | 175.83 |
| Ratio of equity attributable to owners of the parent to total assets (%) | 37.6 | 35.2 | 36.0 |
| Net cash from (used in) operating activities (¥ thousand) | 554,663 | 7,411,348 | (3,799,892) |
| Net cash from (used in) investing activities (¥ thousand) | (209,509) | (3,364,222) | (2,133,119) |
| Net cash from (used in) financing activities (¥ thousand) | 2,235,880 | (624,878) | 11,412,129 |
| Cash and cash equivalents at end of period (¥ thousand) | 29,100,675 | 35,420,082 | 31,998,929 |

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.

2. Revenue does not include consumption taxes.

3. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

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

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

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

II. Review of operations

1. Business and other risks

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

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

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

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

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

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

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

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

During the six months ended May 31, 2020, the Japanese economy was in an extremely harsh environment due to the impact of COVID-19. Although the levels of social and economic activities have been rising in stages since the state of emergency was lifted, the environment is expected to remain harsh for the time being, given that it is necessary to continue monitoring the effects of any second wave of the pandemic, movements in the financial and capital markets and the rekindling of frictions between the United States and China.

In the real estate industry where Tosei Group operates, investments in commercial real estate for the three months from January to March 2020 decreased 1% year on year to ¥1.2 trillion, showing only a limited impact from COVID-19. Many investors have adopted a circumspect attitude, and investment is forecasted to decrease significantly from April onwards. On the other hand, some investors are preparing to resume investment once COVID-19 is contained. Care must be taken to monitor trends going forward (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 April 2020 decreased 38% year on year to 5,500 units. As COVID-19 impacted the market where supply of properties offered for sale had been curbed to respond to slowing sales caused by soaring prices, only 686 units were newly offered for sale in April, the lowest for any month since surveys began in 1973. The average contract rate for the first month increased to 78.9%, due to the decrease in properties for sale. However, only 779 units were sold in April, less than half the number sold during the same month last year. In the build-for-sale detached house market, housing starts from January to March 2020 numbered 13,000 units, a decrease of 9.6% year on year (according to surveys by a private research institute and the Ministry of Land, Infrastructure, Transport and Tourism).

In the office leasing market of Tokyo’s five business wards, the average vacancy rate as of April 2020 was 1.56% (a decrease of 0.14 percentage points year on year), remaining at a low level. The average asking rent was ¥22,820 per tsubo (1 tsubo = 3.30 square meters) (an increase of ¥1,541 year on year), rising for the 76th consecutive month. The impact of COVID-19 had not surfaced as of April 2020, but there were signs of a slowdown in office relocations, 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 April 2020 amounted to 6.02 million tsubo (an increase of 15.2% year on year) given substantial supply in anticipation of growing demand. The vacancy rate of 0.9% is at the lowest level since surveys began in 2008, amid a

situation of tight supply relative to demand (according to a survey by a private research institute).

In the real estate fund market, the market scale continues to expand. The securitization market scale expanded to ¥39.8 trillion, which consists of ¥19.6 trillion in J-REIT assets under management in April 2020 (an increase of ¥1.1 trillion year on year) and ¥20.2 trillion in assets under management in private placement funds (as of December increase of ¥2.5 trillion year on year) (according to a survey by a private research institute).

In the Tokyo business hotel market, the average guest room occupancy rate from January to March 2020 was 57.4%, a significant decrease year on year. The total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 11.40 million overnight stays (a decrease of 27.9% year on year). As the number of foreign tourists visiting Japan declined steeply due to the impact of COVID-19, it is feared that the slowdown will persist for a long period (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 six months ended May 31, 2020 totaled ¥45,050 million (up 30.8% year on year), operating profit was ¥2,170 million (down 72.7%), profit before tax was ¥1,890 million (down 75.2%), and profit for the period was ¥1,147 million (down 78.1%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2020, the segment sold 29 properties which had been renovated, including Kagurazaka Plaza Building (Shinjuku-ku, Tokyo), T's garden Kita Kashiwa (Kashiwa-shi, Chiba), Dai- Nippon Consultant Building (Toshima-ku, Tokyo). In addition, the segment sold four units in the Restyling Business from Ecology Ochiai Residence (Shinjuku-ku, Tokyo), Hilltop Yokohama Higasi Terao (Yokohama-shi, Kanagawa) and others.

During the six months ended May 31, 2020, it also acquired a total of 20 income-generating office buildings and apartments for renovation and sales purposes and six land lots.

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

As a result, revenue in this segment was ¥27,679 million (up 62.1% year on year) and the segment profit was ¥5,565 million (up 10.7%).

Development Business

During the six months ended May 31, 2020, the segment focused on the sale of newly built condominium and detached houses for which there was firm demand. The segment sold 240 units at THE Palms Sagamihara Park Brightia (Sagamihara-shi, Kanagawa) and sold 26 detached houses at such properties as THE Palms Court Kokubunji Koigakubo (Kokubunji-shi, Tokyo) and THE Palms Court Funabashihoten (Funabashi-shi, Chiba). In addition, the segment sold one commercial facility.

During the six months ended May 31, 2020, it also acquired one land lot for apartment project, one land lot for commercial facility project and land lots for 34 detached houses.

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

As a result, revenue in this segment was ¥9,913 million (down 3.1% year on year) and the segment loss was ¥4,720 million (in comparison with segment profit of ¥1,541 million in the same period of the previous fiscal year).

Rental Business

During the six months ended May 31, 2020, while the segment sold 15 buildings of its inventory assets held for leasing purposes, it newly acquired 13 properties including income-generating office buildings

and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its holding non-current assets and inventory assets.

As a result, revenue in this segment was ¥2,734 million (down 6.8% year on year) and the segment profit was ¥1,038 million (down 12.1%).

Fund and Consulting Business

During the six months ended May 31, 2020, while ¥90,084 million was added due to new asset management contracts, ¥10,748 million was subtracted due mainly to property dispositions by funds, from to the balance of assets under management (Note) ¥846,478 million for the end of the previous fiscal year. The balance of assets under management as of May 31, 2020, was ¥925,813 million.

As a result, revenue in this segment was ¥2,180 million (up 66.6% year on year) and the segment profit was ¥1,480 million (up 114.6%).

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

Property Management Business

During the six months ended May 31, 2020, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 689 as of May 31, 2020, an increase of 57 from May 31, 2019, with the total comprising 436 office buildings, hotels, schools and other such properties, and 253 condominiums and apartments.

As a result, revenue in this segment was ¥2,273 million (down 1.9% year on year) and segment profit was ¥354 million (up 22.7%).

Hotel Business

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

As a result, revenue in this segment was ¥269 million (down 54.4% year on year) and segment loss was ¥458 million (in comparison with segment profit of ¥131 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

During the six months ended May 31, 2020, the Group made steady progress towards achieving its financial results targets for the fiscal year, with the favorable accumulation of earnings in each business. This was despite the temporary closure of hotels operated by the Group and a delay in purchasing and sales operations for a period of time in the Revitalization Business and Development Business amid a state of emergency in April and May due to the spread of COVID-19.

Given that a decline in the liquidity of income-generating properties and an increase in the risk premium in the future were expected due to a worldwide deterioration in the business climate, Tosei decided to record a valuation loss of ¥7,680 million in real estate held for sale, based on conservative scenarios among the several scenarios considered by Tosei at the present time. The valuation loss mainly concerns hotel facilities and commercial facilities, for which the risk of a decline in market prices is especially high. As a result, consolidated revenue for the six months ended May 31, 2020 totaled ¥45,050 million (up 30.8% year on year), profit before tax was ¥1,890 million (down 75.2%), and profit for the period was ¥1,147 million (down 78.1%).

The current adjustment in the real estate investment market is expected to continue. Tosei will use cash flows from stable businesses such as its Rental Business and Fund and Consulting Business to cover selling, general and administrative expenses, and strive to recover its real estate sales and acquisitions business while ensuring sufficient liquidity on hand and financial soundness. Specifically, Tosei will promote sales of its old inventory that have recorded valuation loss, expand its purchasing activities for future growth. Seeing social changes brought about by the impact of COVID-19 as new business opportunities, Tosei will proceed to diversify its asset types in response to changing market conditions.

(2) Analysis of Financial Positions

As of May 31, 2020, total assets were ¥161,154 million, a decrease of ¥739 million compared with November 30, 2019, while total liabilities were ¥104,492 million, an increase of ¥905 million.

Total assets were due to a decrease in inventories despite an increase in cash and cash equivalents and an increase in investment properties. Total liabilities were due to an increase in borrowings.

Total equity decreased by ¥1,644 million to ¥56,661 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of May 31, 2020 totaled ¥35,420 million, up ¥3,421 million compared with November 30, 2019.

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

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥7,411 million (in comparison with segment net cash provided by operating activities of ¥554 million in the same period of the previous fiscal year). This is mainly due to profit before tax of ¥1,890 million, a decrease in inventories of ¥6,602 million and income taxes paid of ¥1,861 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,364 million (in comparison with segment net cash used in investing activities of ¥209 million in the same period of the previous fiscal year). This is primarily due to purchase of investment properties of ¥3,136 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥624 million (in comparison with segment net cash provided by financing activities of ¥2,235 million in the same period of the previous fiscal year). This mainly reflects ¥25,215 million in the repayments of non-current borrowings and ¥1,995 million in cash dividends paid, despite ¥29,245 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

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

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

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

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

III. Filing company

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

(1) Total number of authorized shares, etc.

1) Total number of authorized shares

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

2) Number of shares issued

| Class | Number of issued shares (Shares: as of May 31, 2020) | Number of issued shares (Shares: as of the date of filing: July 10, 2020) | Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered | Details |
|-----------------|--|--|---|---------------------------|
| Ordinary shares | 48,635,300 | 48,635,300 | Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard) | Share unit number: 100 |
| Total | 48,635,300 | 48,635,300 | — | — |

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

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

2) Details of other stock acquisition rights, etc.

No item to report.

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

No item to report.

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

| Date | Fluctuation in the number of issued shares (Shares) | Balance of issued shares (Shares) | Fluctuation in share capital (¥ thousand) | Balance of share capital (¥ thousand) | Fluctuation in capital reserves (¥ thousand) | Balance of capital reserves (¥ thousand) |
|--------------------|--|---|---|---|---|---|
| As of May 31, 2020 | — | 48,635,300 | — | 6,600,204 | — | 6,683,679 |

(5) Status of major shareholders

(As of May 31, 2020)

| Name of shareholder | Address | Number of shares held (Share) | Ownership percentage to the number of issued shares (excluding treasury stock) (%) |
|---|--|-------------------------------|--|
| Seiichiro Yamaguchi | Shibuya-ku, Tokyo, Japan | 12,885,500 | 27.22 |
| Zeus Capital Limited | 2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan | 6,000,000 | 12.67 |
| KBL EPB S.A 107704 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division) | 43, Boulevard Royal, L-2955 Luxembourg (2-15-1 Konan, Minato-ku, Tokyo, Japan) | 3,759,800 | 7.94 |
| SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hongkong And Shanghai Banking Corporation Limited, Tokyo Branch) | ONE LINCOLN STRREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi,Chuo-ku, Tokyo, Japan) | 1,933,900 | 4.08 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan | 1,673,100 | 3.53 |
| Government of NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch) | Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan) | 1,582,000 | 3.34 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1-8-11, Harumi, Chuo-ku, Tokyo, Japan | 1,051,600 | 2.22 |
| JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT (Standing proxy: MUFG Bank, Ltd.) | GOLDMAN SACHS AND CO, 180 MAIDEN LANE, 37/90TH FLOOR, NEW YORK, NY 10038 U.S.A. (2-7-1 Marunouchi, Chiyoda-ku, Tokyo, Japan) | 1,043,100 | 2.20 |
| NORTHERN TRUST CO. (AVCF) REIEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT (Standing proxy: Hongkong And Shanghai Banking Corporation Limited, Tokyo Branch) | 50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi,Chuo-ku, Tokyo, Japan) | 730,400 | 1.54 |
| GOLDMAN, SACHS& CO. REG (Standing proxy: Goldman Sachs Japan Co., Ltd.) | 200 WEST STREET NEW YORK, NY, USA (6-10-1, Roppongi, Minato-ku, Tokyo, Japan) | 618,523 | 1.30 |
| Total | – | 31,277,923 | 66.07 |

Notes: 1. Ownership percentage to the number of issued shares (excluding treasury stock) is rounded down to the second decimal place.

2. The number of shares of treasury shares (1,301,205 of shares) is not included in the chart above.

3. The change report for the large shareholding report, which was made accessible to the public as of February 21, 2020, SAMARANNG UCITS held the following shares as of February 14, 2020. However, since the Company could not confirm the actual number of shares held by this company as of May 31, 2020, the company was not included in the status of major shareholders described above.

The content of the change report for the large shareholding report is as follows:

| | |
|---|---------------------------------------|
| Large volume holder | SAMARANNG UCITS |
| Address | 11a Avenue Monterey L-2163 Luxembourg |
| Number of share certificates, etc. held (Share) | 4,160,300 |
| Holding ratio of share certificates, etc. (%) | 8.56 |

(6) Status of voting rights

1) Issued shares

(As of May 31, 2020)

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

Note: 1. The number of “Shares with full voting rights (Other)” includes 400 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 4 units of voting rights related to shares with full voting rights in its name.

2. Number of ordinary shares in “Shares less than one unit” includes 5 shares of treasury shares.

2) Treasury shares, etc.

(As of May 31, 2020)

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

Note: At the board of directors meeting held on April 6, 2020, the Company resolved the acquisition of treasury shares from April 8, 2020 to October 31, 2020, and the Company acquired 188,800 treasury shares. As a result, the total number of treasury shares was 1,301,205 shares as of May 31, 2020.

2. Status of Officers

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

Change of position

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

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

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

2. Audit attestation

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

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

| | Notes | As of November 30, 2019 | As of May 31, 2020 |
|---|-------|-------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 31,998,929 | 35,420,082 |
| Trade and other receivables | 10 | 3,747,782 | 3,409,488 |
| Inventories | 6 | 73,573,663 | 67,061,233 |
| Other current assets | | 13,247 | 20,142 |
| Total current assets | | 109,333,622 | 105,910,947 |
| Non-current assets | | | |
| Property, plant and equipment | | 8,671,827 | 8,860,595 |
| Investment properties | | 37,868,133 | 41,521,471 |
| Intangible assets | | 87,760 | 201,345 |
| Trade and other receivables | 10 | 1,102,277 | 634,331 |
| Other financial assets | 10 | 4,252,691 | 3,563,332 |
| Deferred tax assets | | 573,729 | 458,357 |
| Other non-current assets | | 4,014 | 4,014 |
| Total non-current assets | | 52,560,434 | 55,243,448 |
| Total assets | | 161,894,056 | 161,154,395 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 6,448,300 | 5,906,517 |
| Borrowings | 10 | 16,291,247 | 8,930,114 |
| Current income tax liabilities | | 1,658,894 | 436,368 |
| Provisions | | 655,782 | 341,199 |
| Total current liabilities | | 25,054,225 | 15,614,199 |
| Non-current liabilities | | | |
| Trade and other payables | 10 | 3,761,836 | 3,592,220 |
| Borrowings | 10 | 73,552,021 | 84,258,095 |
| Retirement benefits obligations | | 521,213 | 525,225 |
| Provisions | | 6,971 | 7,049 |
| Deferred tax liabilities | | 691,288 | 495,813 |
| Total non-current liabilities | | 78,533,331 | 88,878,404 |
| Total Liabilities | | 103,587,557 | 104,492,604 |
| Equity | | | |
| Share capital | | 6,579,844 | 6,600,204 |
| Capital reserves | | 6,575,240 | 6,604,427 |
| Retained earnings | | 45,839,423 | 44,988,398 |
| Treasury shares | | (1,000,037) | (1,288,100) |
| Other components of equity | | 312,028 | (243,137) |
| Total equity attributable to owners of parent | | 58,306,499 | 56,661,791 |
| Total equity | | 58,306,499 | 56,661,791 |
| Total liabilities and equity | | 161,894,056 | 161,154,395 |

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income
Six months ended May 31, 2020

(¥ thousand)

| | Notes | Six months ended May 31, 2019 | Six months ended May 31, 2020 |
|---|-------|----------------------------------|----------------------------------|
| Revenue | 5,7 | 34,452,685 | 45,050,321 |
| Cost of revenue | | 22,487,881 | 38,217,330 |
| Gross profit | | 11,964,804 | 6,832,990 |
| Selling, general and administrative expenses | | 4,049,042 | 4,659,988 |
| Other income | | 56,652 | 20,797 |
| Other expenses | | 7,888 | 23,321 |
| Operating profit | 5 | 7,964,525 | 2,170,478 |
| Finance income | | 41,255 | 97,505 |
| Finance costs | | 370,945 | 377,095 |
| Profit before tax | | 7,634,835 | 1,890,888 |
| Income tax expense | | 2,394,849 | 743,281 |
| Profit for the period | | 5,239,985 | 1,147,607 |
| Other comprehensive income | | | |
| Other comprehensive income items that will not be reclassified to profit or loss | | | |
| Net change in financial assets measured at fair values through other comprehensive income | | 91,911 | (542,868) |
| Subtotal | | 91,911 | (542,868) |
| Other comprehensive income items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (9,901) | (11,633) |
| Net change in fair values of cash flow hedges | | 771 | (664) |
| Subtotal | | (9,130) | (12,298) |
| Other comprehensive income for the period, net of tax | | 82,781 | (555,166) |
| Total comprehensive income for the period | | 5,322,766 | 592,441 |
| Profit attributable to: | | | |
| Owners of the parent | | 5,239,985 | 1,147,607 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 5,322,766 | 592,441 |
| Earnings per share attributable to owners of the parent | | | |
| Basic earnings per share (¥) | 9 | 108.79 | 24.14 |
| Diluted earnings per share (¥) | 9 | 108.72 | 24.06 |

Second quarter ended May 31, 2020

(¥ thousand)

| | Notes | Second quarter ended May 31, 2019 | Second quarter ended May 31, 2020 |
|---|-------|--------------------------------------|--------------------------------------|
| Revenue | 5 | 17,393,228 | 21,581,741 |
| Cost of revenue | | 10,573,497 | 22,531,684 |
| Gross profit or loss | | 6,819,730 | (949,943) |
| Selling, general and administrative expenses | | 1,993,905 | 2,408,278 |
| Other income | | 17,118 | 14,571 |
| Other expenses | | 3,744 | 21,035 |
| Operating profit or loss | 5 | 4,839,199 | (3,364,684) |
| Finance income | | 485 | 97,078 |
| Finance costs | | 192,024 | 201,015 |
| Profit before tax or loss before tax | | 4,647,660 | (3,468,621) |
| Income tax expense | | 1,443,356 | (1,028,411) |
| Profit or loss for the period | | 3,204,303 | (2,440,209) |
| Other comprehensive income | | | |
| Other comprehensive income items that will not be reclassified to profit or loss | | | |
| Net change in financial assets measured at fair values through other comprehensive income | | 58,872 | (246,250) |
| Subtotal | | 58,872 | (246,250) |
| Other comprehensive income items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (8,188) | (6,926) |
| Net change in fair values of cash flow hedges | | 616 | 24,608 |
| Subtotal | | (7,571) | 17,682 |
| Other comprehensive income for the period, net of tax | | 51,300 | (228,568) |
| Total comprehensive income for the period | | 3,255,603 | (2,668,777) |
| Profit or loss attributable to: | | | |
| Owners of the parent | | 3,204,303 | (2,440,209) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 3,255,603 | (2,668,777) |
| Earnings or loss per share attributable to owners of the parent | | | |
| Basic earnings per share or Basic loss per share (¥) | 9 | 66.92 | (51.37) |
| Diluted earnings per share (¥) | 9 | 66.88 | — |

(3) Condensed Quarterly Consolidated Statement of Changes in Equity**Six months ended May 31, 2019 (December 1, 2018 – May 31, 2019)**

(¥ thousand)

| Notes | Share capital | Capital reserves | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of parent | |
|---|---------------|------------------|-------------------|-----------------|----------------------------|---|--------------|
| | | | | | | Total equity | Total equity |
| Balance at December 1, 2018 | 6,554,139 | 6,544,924 | 38,843,309 | (128) | 79,537 | 52,021,782 | 52,021,782 |
| Profit for the period | | | 5,239,985 | | | 5,239,985 | 5,239,985 |
| Other comprehensive income | | | | | 82,781 | 82,781 | 82,781 |
| Total comprehensive income for the period | — | — | 5,239,985 | — | 82,781 | 5,322,766 | 5,322,766 |
| Amount of transactions with owners | | | | | | | |
| Issuance of new shares | 2,036 | 1,121 | | | | 3,157 | 3,157 |
| Purchase of treasury shares | | (2,711) | | (999,909) | | (1,002,620) | (1,002,670) |
| Dividends of surplus | 8 | | (1,456,340) | | | (1,456,340) | (1,456,340) |
| Share-based payment | | 510 | | | | 510 | 510 |
| Balance at May 31, 2019 | 6,556,175 | 6,543,844 | 42,626,953 | (1,000,037) | 162,318 | 54,889,255 | 54,889,255 |

Six months ended May 31, 2020 (December 1, 2019 – May 31, 2020)

(¥ thousand)

| Notes | Share capital | Capital reserves | Retained earnings | Treasury shares | Other components of equity | Total equity attributable to owners of parent | |
|---|---------------|------------------|-------------------|-----------------|----------------------------|---|--------------|
| | | | | | | Total equity | Total equity |
| Balance at December 1, 2019 | 6,579,844 | 6,575,240 | 45,839,423 | (1,000,037) | 312,028 | 58,306,499 | 58,306,499 |
| Profit for the period | | | 1,147,607 | | | 1,147,607 | 1,147,607 |
| Other comprehensive income | | | | | (555,166) | (555,166) | (555,166) |
| Total comprehensive income for the period | — | — | 1,147,607 | — | (555,166) | 592,441 | 592,441 |
| Amount of transactions with owners | | | | | | | |
| Issuance of new shares | 20,360 | 11,516 | | | | 31,876 | 31,876 |
| Purchase of treasury shares | | (199) | | (288,063) | | (288,263) | (288,263) |
| Dividends of surplus | 8 | | (1,998,632) | | | (1,998,632) | (1,998,632) |
| Share-based payment | | 17,870 | | | | 17,870 | 17,870 |
| Balance at May 31, 2020 | 6,600,204 | 6,604,427 | 44,988,398 | (1,288,100) | (243,137) | 56,661,791 | 56,661,791 |

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

| Notes | Six months ended May 31, 2019 | Six months ended May 31, 2020 |
|---|----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Profit before tax | 7,634,835 | 1,890,888 |
| Depreciation expense | 435,606 | 577,024 |
| Increase (decrease) in provisions and retirement benefits obligations | (261,403) | (310,955) |
| Interest and dividend income | (41,255) | (97,505) |
| Interest expenses | 370,945 | 377,095 |
| Decrease (increase) in trade and other receivables | 275,084 | 1,072,016 |
| Decrease (increase) in inventories | (4,584,930) | 6,602,348 |
| Increase (decrease) in trade and other payables | (480,791) | (904,300) |
| Other, net | (3,068) | 17,425 |
| Subtotal | 3,345,022 | 9,224,037 |
| Interest and dividend income received | 41,086 | 49,042 |
| Income taxes paid | (2,831,445) | (1,861,730) |
| Net cash from (used in) operating activities | 554,663 | 7,411,348 |
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | 20,000 | — |
| Purchase of property, plant and equipment | (33,613) | (136,817) |
| Purchase of investment properties | (37,909) | (3,136,164) |
| Purchase of intangible assets | (12,811) | (111,071) |
| Payments of loans receivable | (126,730) | — |
| Collection of loans receivable | 5,679 | 109,815 |
| Purchase of other financial assets | (50,820) | (147,700) |
| Collection of other financial assets | 6,280 | 57,716 |
| Other, net | 20,413 | — |
| Net cash from (used in) investing activities | (209,509) | (3,364,222) |
| Cash flows from financing activities | | |
| Net increase (decrease) in current borrowings | (26,600) | (1,798,000) |
| Proceeds from non-current borrowings | 23,084,545 | 29,245,600 |
| Repayments of non-current borrowings | (17,860,068) | (25,215,317) |
| Repayments of lease obligations | (2,827) | (124,635) |
| Proceeds from issuance of new shares | 3,134 | 31,681 |
| Cash dividends paid | (1,454,261) | (1,995,818) |
| Purchase of treasury shares | (999,909) | (288,063) |
| Interest expenses paid | (508,132) | (480,325) |
| Net cash from (used in) financing activities | 2,235,880 | (624,878) |
| Net increase (decrease) in cash and cash equivalents | 2,581,034 | 3,422,248 |
| Cash and cash equivalents at beginning of period | 26,520,569 | 31,998,929 |
| Effect of exchange rate change on cash and cash equivalents | (928) | (1,094) |
| Cash and cash equivalents at end of period | 29,100,675 | 35,420,082 |

(5) Notes on Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

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

2. Basis of preparation

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Presentation currency and unit amount

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

3. Significant accounting policies

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

Changes in accounting policies

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

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

The Group implemented IFRS 16 ‘Leases’ as of December 1, 2019. The Group applied this standard, which is recognized as a transitional measure, with the cumulative effect of initially applying this standard recognized at the date of initial application. In applying IFRS 16, the Group uses a practical expedient, in which an entity is not required to reassess whether a contract is or contains a lease at date of initial application, and the Group also uses practical expedients to the contracts that were previously identified as operating leases stipulated in the previous accounting standard.

For leases that the Group as lessee previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities were recognized at the date of initial application. Lease liabilities have

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

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

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

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

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

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

4. Significant accounting estimates and judgments requiring estimates

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

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

(Additional information)

Impact of COVID-19 on Tosei's Financial Results

Due to the spread of COVID-19 and the resulting stagnation of economic activity, it is expected that the liquidity of income-generating real estate will decline and the risk premium will rise. The Group reviewed the valuation of real estate for sale and real estate for sale in process such as hotels and commercial facilities etc. As a result, the Group recorded loss on valuation of inventories (cost of revenue) of ¥7,680 million.

Regarding the impact in each segment, valuation loss amounted to ¥1,457 million in the Revitalization Business and ¥6,223 million in the Development Business.

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

5. Segment information

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

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

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

Six months ended May 31, 2019

(December 1, 2018 – May 31, 2019)

| (¥ thousand) | | | | | | | | |
|---------------------------------|-------------------------|----------------------|-----------------|------------------------------|------------------------------|----------------|------------|------------|
| | Reportable Segments | | | | | | Adjustment | Total |
| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Hotel Business | | |
| Revenue | | | | | | | | |
| Revenue from external customers | 17,075,798 | 10,226,890 | 2,934,058 | 1,309,000 | 2,317,170 | 589,767 | — | 34,452,685 |
| Intersegment revenue | — | — | 22,852 | 9,979 | 583,352 | 1,830 | (618,015) | — |
| Total | 17,075,798 | 10,226,890 | 2,956,910 | 1,318,980 | 2,900,522 | 591,597 | (618,015) | 34,452,685 |
| Segment profit | 5,027,397 | 1,541,304 | 1,182,085 | 690,162 | 289,167 | 131,884 | (897,475) | 7,964,525 |
| Finance income/costs, net | | | | | | | | (329,689) |
| Profit before tax | | | | | | | | 7,634,835 |

Six months ended May 31, 2020

(December 1, 2019 – May 31, 2020)

| (¥ thousand) | | | | | | | | |
|---------------------------------|-------------------------|----------------------|-----------------|------------------------------|------------------------------|----------------|-------------|------------|
| | Reportable Segments | | | | | | Adjustment | Total |
| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Hotel Business | | |
| Revenue | | | | | | | | |
| Revenue from external customers | 27,679,495 | 9,913,147 | 2,734,793 | 2,180,492 | 2,273,286 | 269,106 | — | 45,050,321 |
| Intersegment revenue | — | — | 25,623 | 6,037 | 560,282 | 1,030 | (592,974) | — |
| Total | 27,679,495 | 9,913,147 | 2,760,417 | 2,186,529 | 2,833,569 | 270,136 | (592,974) | 45,050,321 |
| Segment profit or loss | 5,565,231 | (4,720,938) | 1,038,895 | 1,480,969 | 354,693 | (458,871) | (1,089,501) | 2,170,478 |
| Finance income/costs, net | | | | | | | | (279,589) |
| Profit before tax | | | | | | | | 1,890,888 |

Second quarter ended May 31, 2019

(March 1, 2019 – May 31, 2019)

(¥ thousand)

| | Reportable Segments | | | | | | Adjustment | Total |
|---------------------------------|-------------------------|----------------------|-----------------|------------------------------|------------------------------|----------------|------------|------------|
| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Hotel Business | | |
| Revenue | | | | | | | | |
| Revenue from external customers | 10,451,865 | 3,181,386 | 1,463,840 | 705,716 | 1,253,332 | 337,087 | — | 17,393,228 |
| Intersegment revenue | — | — | 11,438 | 5,772 | 305,828 | 1,130 | (324,168) | — |
| Total | 10,451,865 | 3,181,386 | 1,475,279 | 711,488 | 1,559,160 | 338,217 | (324,168) | 17,393,228 |
| Segment profit | 3,603,240 | 495,350 | 575,716 | 392,913 | 168,985 | 82,936 | (479,942) | 4,839,199 |
| Finance income/costs, net | | | | | | | | (191,538) |
| Profit before tax | | | | | | | | 4,647,660 |

Second quarter ended May 31, 2020

(March 1, 2020 – May 31, 2020)

(¥ thousand)

| | Reportable Segments | | | | | | Adjustment | Total |
|---------------------------------|-------------------------|----------------------|-----------------|------------------------------|------------------------------|----------------|------------|-------------|
| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Hotel Business | | |
| Revenue | | | | | | | | |
| Revenue from external customers | 8,919,110 | 8,866,671 | 1,435,940 | 1,244,369 | 1,060,371 | 55,278 | — | 21,581,741 |
| Intersegment revenue | — | — | 11,643 | 4,107 | 273,082 | 300 | (289,133) | — |
| Total | 8,919,110 | 8,866,671 | 1,447,583 | 1,248,477 | 1,333,453 | 55,578 | (289,133) | 21,581,741 |
| Segment profit or loss | 561,618 | (4,702,412) | 574,752 | 894,694 | 176,454 | (292,309) | (577,481) | (3,364,684) |
| Finance income/costs, net | | | | | | | | (103,936) |
| Profit before tax | | | | | | | | (3,468,621) |

6. Inventories

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

(¥ thousand)

| | Six months ended May 31, 2019 | Six months ended May 31, 2020 |
|--|----------------------------------|----------------------------------|
| The amount of loss on valuation | 24,246 | 7,682,876 |
| The amount of reversal of valuation loss | 21,854 | 26,466 |

7. Sales Revenue

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

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; “Revitalization Business”, “Development Business”, “Rental Business”, “Fund and Consulting Business”, “Property Management Business” and “Hotel Business”.

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

Six months ended May 31, 2019

(December 1, 2018 – May 31, 2019)

(¥ thousand)

| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Hotel Business | Total |
|--|----------------------------|-------------------------|--------------------|------------------------------------|------------------------------------|-------------------|------------|
| Sales of real estate | 17,075,798 | 10,226,890 | — | — | — | — | 27,302,689 |
| Revenue from services | — | — | 319,023 | 1,301,661 | 2,317,170 | 515,066 | 4,452,921 |
| Revenue recognized from other sources | — | — | 2,615,034 | 7,338 | — | 74,701 | 2,697,074 |
| Total | 17,075,798 | 10,226,890 | 2,934,058 | 1,309,000 | 2,317,170 | 589,767 | 34,452,685 |

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

Six months ended May 31, 2020

(December 1, 2019 – May 31, 2020)

(¥ thousand)

| | Revitalization Business | Development Business | Rental Business | Fund and Consulting Business | Property Management Business | Hotel Business | Total |
|--|----------------------------|-------------------------|--------------------|------------------------------------|------------------------------------|-------------------|------------|
| Sales of real estate | 27,679,495 | 9,913,147 | — | — | — | — | 37,592,642 |
| Revenue from services | — | — | 283,235 | 2,174,078 | 2,273,286 | 221,293 | 4,951,895 |
| Revenue recognized from other sources | — | — | 2,451,558 | 6,413 | — | 47,812 | 2,505,784 |
| Total | 27,679,495 | 9,913,147 | 2,734,793 | 2,180,492 | 2,273,286 | 269,106 | 45,050,321 |

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

8. Dividends

Dividends paid in the six months ended May 31, 2019 and May 31, 2020 are as follows:

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

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

9. Earnings per Share

| | Six months ended May 31, 2019 | Six months ended May 31, 2020 |
|---|-------------------------------|-------------------------------|
| Profit attributable to owners of the parent (¥ thousand) | 5,239,985 | 1,147,607 |
| Net income used to figure diluted net income per share (¥ thousand) | 5,239,985 | 1,147,607 |
| Weighted average number of outstanding ordinary shares (shares) | 48,167,280 | 47,545,895 |
| The number of increased ordinary shares used to figure diluted earnings per share (shares) | 29,640 | 153,757 |
| The weighted-average number of ordinary shares used to figure diluted earnings per share (shares) | 48,196,920 | 47,699,652 |
| Basic earnings per share (¥) | 108.79 | 24.14 |
| Diluted net income per share (¥) | 108.72 | 24.06 |

| | Second quarter ended May 31, 2019 | Second quarter ended May 31, 2020 |
|---|-----------------------------------|-----------------------------------|
| Profit attributable to owners of the parent or Loss attributable to owners of the parent (¥ thousand) | 3,204,303 | (2,440,209) |
| Net income used to figure diluted net income per share or Net loss used to figure diluted net income per share (¥ thousand) | 3,204,303 | (2,440,209) |
| Weighted average number of outstanding ordinary shares (shares) | 47,884,220 | 47,506,195 |
| The number of increased ordinary shares used to figure diluted earnings per share (shares) | 29,433 | 135,818 |
| The weighted-average number of ordinary shares used to figure diluted earnings per share (shares) | 47,913,653 | 47,642,013 |
| Basic earnings per share or Basic loss per share (¥) | 66.92 | (51.37) |
| Diluted net income per share (¥) | 66.88 | — |

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

10. Financial instruments

i) Fair values and book values

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

(¥ thousand)

| | As of November 30, 2019 | | As of May 31, 2020 | |
|--|-------------------------|------------|--------------------|------------|
| | Book value | Fair value | Book value | Fair value |
| Financial assets | | | | |
| Financial assets measured at amortized cost | | | | |
| Cash and cash equivalents | 31,998,929 | 31,998,929 | 35,420,082 | 35,420,082 |
| Trade and other receivables | 3,451,548 | 3,451,548 | 2,640,303 | 2,640,303 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Other financial assets | 3,831,590 | 3,831,590 | 3,195,934 | 3,195,934 |
| Financial assets measured at fair value through profit or loss | | | | |
| Other financial assets | 421,101 | 421,101 | 367,398 | 367,398 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Trade and other payables | 6,443,992 | 6,443,992 | 7,498,506 | 7,498,506 |
| Borrowings | 89,843,269 | 89,851,347 | 93,188,209 | 93,194,695 |

Method for measuring fair value of financial instruments

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

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

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

Other financial assets

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

Non-current borrowings

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

ii) Fair value hierarchy

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

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

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

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

(¥ thousand)

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

| | As of May 31, 2020 | | | |
|--|--------------------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair values through other comprehensive income | 2,981,577 | — | 214,356 | 3,195,934 |
| Financial assets measured at fair values through profit or loss | — | — | 367,398 | 367,398 |
| Financial liabilities measured at fair value through other comprehensive income (derivative) | — | 14,576 | — | 14,576 |

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

(¥ thousand)

| | Six months ended May 31, 2020 |
|--------------------------------|----------------------------------|
| Balance at beginning of period | 490,206 |
| Acquisition | 147,700 |
| Comprehensive income | |
| Profit (loss) | 1,497 |
| Other comprehensive income | (1,548) |
| Disposal | (56,100) |
| Balance at end of period | 581,754 |

11. Significant subsequent events

No item to report.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

July 6, 2020

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

_____ Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

_____ Atushi Iijima (Seal)

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

Management’s Responsibility for the Condensed Quarterly Consolidated Financial Statements

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

Auditor’s Responsibility

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

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

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

Auditor’s Conclusion

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

Interest

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

End

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

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

Note:

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