[Translation]
July 6, 2020

To whom it may concern

Toranomon Tosei Building, 4-2-3 Toranomon, Minato-ku, Tokyo
Tosei Corporation
President and CEO: Seiichiro Yamaguchi
Securities code: 8923 (Tokyo Stock Exchange, First Section)
S2D (Singapore Exchange, Mainboard)
Contact: Director and CFO: Noboru Hirano
TEL: +81-3-3435-2865

Notice Regarding Record a Valuation Loss on Inventory (Cost of Revenue) and Revision of Full-Year Earnings Forecasts for Fiscal Year Ending November 30, 2020 and Revision of Dividend Forecasts

Tosei Corporation (the "Company"), in consideration of effect due to the spread of COVID-19 and the recent performance, hereby announces that it decided at a meeting of its Board of Directors held today to record a valuation loss on inventory (cost of revenue) and revise its full-year earnings forecasts and dividend forecast for the fiscal year ending November 30, 2020 (December 1, 2019 to November 30, 2020) announced on January 9, 2020. The details are as follows.

1. Recording of a valuation loss on inventory (cost of revenue)

It is feared that a slowdown in the global economy caused by the spread of COVID-19 will lead to lower demand for real estate investment. Tosei has reevaluated the profitability of its income-generating properties in a conservative manner based on even stricter standards for inventory measurement, forecasting a decline in the liquidity of income-generating properties and an increase in the risk premium in the future due to weakening demand for real estate investment. As a result, Tosei found that estimated sales value of some inventory, primarily hotel facilities, falls below estimated cost of revenue, and the Company recorded a valuation loss on inventory of ¥7,680 million as cost of revenue. Regarding the impact in each segment, a valuation loss of ¥6,223 million on completed hotels, hotel development projects, commercial facilities development projects, etc. was recorded in the Development Business and a valuation loss of ¥1,457 million on real estate held for sale was recorded in the Revitalization Business.

2. Consolidated Earnings Forecasts Revision for Fiscal Year Ending November 30, 2020 (December 1, 2019 to November 30, 2020)

	Revenue (¥ million)	Operating profit (¥ million)	Profit before tax (¥ million)	Profit attributable to owners of the parent (¥ million)	Basic earnings per share (¥)
Previous forecasts (A) (Announced on January 9, 2020)	80,354	13,737	13,046	8,808	185.09
Revised forecasts (B)	64,897	4,680	4,070	2,411	50.72
Amount of change (B-A)	(15,456)	(9,056)	(8,976)	(6,396)	
Percentage change (%)	(19.2)	(65.9)	(68.8)	(72.6)	
[Reference] Results for the previous fiscal year ended November. 30, 2019	60,727	12,690	12,090	8,447	

3. Non-consolidate Earnings Forecasts Revision for Fiscal Year Ending November 30, 2020 (December 1, 2019 to November 30, 2020)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Net income per share (¥)
Previous forecasts (A) (Announced on January 9, 2020)	67,556	11,661	8,361	175.71
Revised forecasts (B)	54,336	2,599	2,172	45.69
Amount of change (B-A)	(13,220)	(9,061)	(6,188)	
Percentage change (%)	(19.6)	(77.7)	(74.0)	
[Reference] Results for the previous fiscal year ended November. 30, 2019	48,861	9,770	7,273	

[Reason for Revisions]

(1) Consolidated Earnings Forecasts

Tosei has already accumulated robust sales in the Revitalization Business and Development Business, as well as revenue from the Fund and Consulting Business, etc., and is in a position to forecast full-year profit before tax of ¥11.7 billion, against the initial plan of ¥13.0 billion, even after taking into account the impact of temporary hotel closures, etc. due to the spread of COVID-19.

However, it is difficult to forecast when the COVID-19 epidemic will end and how it will impact the real estate investment market. In this context, Tosei decided to record the valuation loss on inventory described above in the three months ended May 31, 2020, based on conservative scenarios among the several scenarios considered by Tosei at the present time. With the persistence of the COVID-19 epidemic, investors who until recently were keenly involved in real estate investment are exhibiting an increasingly cautious attitude, and changes have also been seen in the attitude of loan assessments at some financial institutions. Tosei has, therefore, decided to postpone sales of some income-generating properties in the Revitalization Business and Development Business, originally planned for sale during the second half of the fiscal year ending November 30, 2020, until the next fiscal year or later. The Company considers it appropriate to make these sales at a time when the market has regained some degree of liquidity.

As a result, the Revenue was revised to ¥64,897 million, a decrease of ¥15,456 million, the Operating profit forecast was revised to ¥4,680 million, a decrease of ¥9,056 million, the Profit before tax forecast was revised to ¥4,070 million, a decrease of ¥8,976 million, the Profit for the year forecast was revised to ¥2,411 million, a decrease of ¥6,396 million.

(2) Non-consolidated Earnings Forecasts

As for non-consolidated performance, with the same reason of adjustment to the forecast of consolidated operating results mentioned above, the net sales forecast was revised to ¥54,336 million, a decrease of ¥13,220 million from the previous forecast, the ordinary income forecast was revised to ¥2,599 million, a decrease of ¥9,061 million, and the net income forecast was revised to ¥2,172 million, a decrease of ¥6,188 million.

4. Dividend Forecasts Revision for the Fiscal Year Ending November 30, 2020

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Previous forecasts (Announced on January 9, 2020)	(¥) —	(¥)	(¥) —	(¥) 47.00	(¥) 47.00
Revised forecasts	—		—	13.00	13.00
Results for the current period	—	0.00	—		
Results for the same period of the previous year ended Nov. 2019	—	0.00	—	42.00	42.00

[Reason for Revisions]

Tosei regards the stable payment of dividends to shareholders as one of the most important management tasks and makes it a fundamental policy to consider balance between dividends and the need for internal capital resources to generate long-term growth in corporate value by taking advantage of highly profitable business opportunities, based on all aspects of operating results, the future operating environment and progress in its business plan.

For the fiscal year ending November 30, 2020, Tosei revised its year-end dividend forecast to ¥13 per share (payout ratio 25.6%), down ¥34 from the previous forecast, based on the revision to the consolidated earnings forecast while maintaining the payout ratio before revision (25.4%).

The Company is currently repurchasing its own shares (up to ¥500 million) in accordance with the announcement on April 6, 2020 and there is no change to the repurchase policy.

In November 2019, Tosei introduced a shareholder benefit program for shareholders holding one trading unit (100 shares) or more, as part of its return of profits to shareholders. This program will be maintained during the fiscal year ending November 30, 2020 and beyond. Please see “Notice Regarding the Introduction of a Shareholder Benefit Program” announced on October 7, 2019, for details.

End

Note: The above earnings forecasts are based on information available at the time of announcement. There is a possibility that the actual result may differ from the forecasts.