Annual Securities Report

(Pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act)

(The English translation of the
"Yukashoken-Houkokusho" for the 71th term)

from December 1, 2019
to November 30, 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 Annual Securities Report (YUKASHOKEN-HOKOKUSHO) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 26, 2021 pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
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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

(1) Management benchmarks (consolidated)

Term	67th term	68th term	69th term	70th term	71th term
Accounting period	Fiscal year ended Nov. 30, 2016	Fiscal year ended Nov. 30, 2017	Fiscal year ended Nov. 30, 2018	Fiscal year ended Nov. 30, 2019	Fiscal year ended Nov. 30, 2020
Revenue (¥ thousand)	49,818,113	57,754,328	61,543,319	60,727,704	63,939,781
Profit before tax (¥ thousand)	8,450,048	9,049,467	10,171,017	12,090,095	5,901,313
Profit attributable to owners of parent (¥ thousand)	5,547,469	6,155,169	6,852,237	8,447,032	3,602,339
Comprehensive income attributable to owners of parent (¥ thousand)	5,509,307	6,165,615	6,856,712	8,684,946	3,064,864
Total equity (¥ thousand)	41,010,083	46,158,867	52,021,782	58,306,499	58,969,524
Total assets (¥ thousand)	121,276,292	122,550,281	138,768,538	161,894,056	161,684,503
Equity attributable to owners of parent per share (¥)	849.35	955.99	1,071.63	1,225.27	1,250.00
Basic earnings per share (¥)	114.89	127.48	141.36	176.40	76.05
Diluted earnings per share (¥)	—	127.41	141.12	175.83	75.94
Ratio of equity attributable to owners of parent to total assets (%)	33.8	37.7	37.5	36.0	36.5
Ratio of earnings on equity attributable to owners of parent (%)	14.4	14.1	14.0	15.3	6.1
Price earnings ratio (PER) (Times)	7.23	8.59	7.28	7.55	15.29
Net cash from (used in) operating activities (¥ thousand)	(7,472,487)	7,089,159	7,615,322	(3,799,892)	12,509,792
Net cash from (used in) investing activities (¥ thousand)	(8,193,818)	(18,800)	(10,786,784)	(2,133,119)	(4,054,077)
Net cash from (used in) financing activities (¥ thousand)	18,522,496	(4,962,180)	5,941,884	11,412,129	(3,414,376)
Cash and cash equivalents at end of period (¥ thousand)	21,640,866	23,750,239	26,520,569	31,998,929	37,039,600
Number of employees [Separately, average number of temporary employees] (Person)	368 [155]	386 [156]	431 [139]	457 [124]	509 [141]

Notes: 1. Revenue does not include consumption taxes.

2. Diluted earnings per share for 67th term is not presented because there were no potential shares that have dilutive effects.

3. The Company has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standard (“IFRS”).

(2)Filing company's management benchmarks (non-consolidated)

Term	67th term	68th term	69th term	70th term	71th term
Accounting period	Fiscal year ended Nov. 30, 2016	Fiscal year ended Nov. 30, 2017	Fiscal year ended Nov. 30, 2018	Fiscal year ended Nov. 30, 2019	Fiscal year ended Nov. 30, 2020
Net sales (¥ thousand)	41,965,432	45,491,580	48,061,639	48,861,295	51,958,230
Ordinary income (¥ thousand)	7,123,434	7,218,097	6,770,624	9,770,383	3,382,780
Net income (¥ thousand)	4,734,766	5,449,682	5,054,356	7,273,194	2,594,607
Capital stock (¥ thousand)	6,421,392	6,421,392	6,554,139	6,579,844	6,624,890
Total number of shares issued (Shares)	48,284,000	48,284,000	48,544,800	48,595,300	48,683,800
Net assets (¥ thousand)	38,455,373	42,889,054	46,965,634	52,076,260	51,737,131
Total assets (¥ thousand)	114,085,085	115,196,337	127,844,930	149,812,509	148,071,547
Net assets per share (¥)	795.50	886.38	966.65	1,093.35	1,095.59
Dividends per share (¥) [Interim dividends per share] (¥)	22.00 [–]	25.00 [–]	30.00 [–]	42.00 [–]	19.00 [–]
Net income per share (¥)	98.06	112.87	104.27	151.89	54.77
Net income per share (diluted) (¥)	—	112.81	104.09	151.40	54.70
Equity ratio (%)	33.7	37.2	36.7	34.7	34.9
Return on equity (ROE) (%)	13.0	13.4	11.3	14.7	5.0
Price earnings ratio (PER) (Times)	8.47	9.70	9.87	8.76	21.23
Dividend payout ratio (%)	22.4	22.1	28.8	27.7	34.7
Number of employees [Separately, average number of temporary employees] (Person)	152 [–]	159 [–]	181 [–]	191 [–]	195 [2]
Total shareholder return(%)	112.7	150.9	146.1	191.6	171.9
(Comparativeindex1: Dividend-included TOPIX(%)	(95.1)	(118.4)	(112.5)	(117.7)	(124.5)
(Comparativeindex2: Dividend-unincluded TOPIX Sector Index (First Section, TOPIX-17 REAL ESTATE))(%)	(88.6)	(90.3)	(88.3)	(93.3)	(82.5)
Highest share prices (¥)	856	1,162	1,529	1,467	1,572
Lowest share prices (¥)	553	712	953	759	782

Notes: 1. Net sales do not include consumption taxes.

2. Net income per share (diluted) for 67th term is not presented because there were no potential shares that have dilutive effects.

3. The highest and lowest prices were prices on the First Section of Tokyo Stock Exchange.

4. 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.

2. History

Date	Details of change
February 1950	Established as Yukari Kogyo Co., Ltd. with purpose of engaging in restaurant business at location of 514 Oaza Oita, Oita-shi, Oita Prefecture, Japan (Capital: ¥500,000)
April 1952	Moved head office to Kameido, Koto-ku, Tokyo
June 1964	Added real estate trading, brokerage, rental and management businesses to scope of business purpose
May 1968	Moved head office to Sotokanda, Chiyoda-ku, Tokyo
July 1969	Changed trade name to Yukari Co., Ltd.
March 1973	Obtained license of building lots and buildings transaction business (License Number: Governor of Tokyo (1) No. 24043)
March 1983	Changed trade name to Tosei Building Co., Ltd.
April 1986	Moved head office to Iwamoto-cho, Chiyoda-ku, Tokyo
October 1994	Started sales of condominiums of “THE Palms” series
September 1995	Established Kanda Awaji-cho Building Co., Ltd.
March 1996	Changed trade name to Tosei Fudosan Co., Ltd.
April 1996	Launched revitalization business
December 1996	Moved head office to Kanda Awaji-cho, Chiyoda-ku, Tokyo
December 1997	Launched contract work, including repair and restoration, incidental to building management business upon obtaining license of specified construction business (License Number: Governor of Tokyo (Special-9) No. 107905)
July 1999	Started sales of detached houses of “Palms Court” series
February 2001	Launched asset management business upon registering general real estate investment advisory business (Registration Number: Minister of Land, Infrastructure, Transport and Tourism No. 127)
March 2001	Merged with Kabushiki Kaisha. Konmasa Shoten, Nihon Kogyo Jutaku Kabushiki Kaisha. and Hidaka Kogyo Kabushiki Kaisha. by absorption-type merger using LBO (leveraged buyout) technique
April 2001	Registered first-class architectural firm (Registration Number: Governor of Tokyo No. 46219)
November 2001	Span off Building Management Division engaged in building management services and transferred it to Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged)
December 2001	Established Securitization Business Division to realize full-scale entry into real estate securitization business
August 2002	Structured “Argo Fund,” a private placement fund investing in trust beneficiary rights in rental condominiums, as our first real estate investment fund
December 2002	Merged with our subsidiary Kanda Awaji-cho Building Co., Ltd. by absorption-type merger
February 2004	Registered shares as over-the-counter securities at Japan Securities Dealers Association
September 2004	Obtained license of real estate specified joint enterprise (License Number: Governor of Tokyo No. 58)
December 2004	Cancelled registration as over-the-counter securities at Japan Securities Dealers Association and listed shares on Jasdaq Securities Exchange (later delisted shares in January 2008)
March 2005	Established Tosei Revival Investment Co., Ltd. (currently consolidated subsidiary Tosei Revival Investment Co., Ltd., Japanese name of which has changed with English name unchanged)
April 2005	Made Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged) a consolidated subsidiary by acquiring its shares
September 2005	Established Tosei REIT Advisors, Inc. (currently consolidated subsidiary Tosei Asset Advisors, Inc.)
October 2006	Changed trade name to Tosei Corporation and moved head office to Toranomon, Minato-ku, Tokyo
November 2006	Listed shares on Second Section of Tokyo Stock Exchange
September 2007	Registered type II financial instruments business and investment advisory and agency business (Registration Number: Director-General of Kanto Local Finance Bureau (Kinsho) No. 898)
September 2009	Launched “Restyling business” as a new business model of revitalization business
September 2011	Listed shares on First Section of Tokyo Stock Exchange
January 2012	Established Tosei Singapore Pte. Ltd.
December 2012	Established NAI TOSEI Japan, Inc. (Liquidation completed on August 2016)
March 2013	Listed shares on Main Board of Singapore Exchange
November 2014	Tosei Reit Investment Corporation, which is managed by Tosei Asset Advisors, Inc., a consolidated subsidiary of Tosei Corporation, listed shares on Tokyo Stock Exchange
December 2015	Made Urban Home Corporation (currently consolidated subsidiary Tosei Urban Home Co., Ltd.) a consolidated subsidiary by acquiring its shares
February 2016	Established Tosei Hotel Management Co., Ltd.
June 2017	Established Tosei Hotel Kanda Co., Ltd. (became a non-surviving company due to the merger with the consolidated subsidiary Tosei Hotel Management Co., Ltd. in April 2020).
December 2017	Commenced the Hotel Business (opened the Tosei Group’s first hotel, Tosei Hotel COCONE

Date	Details of change
	Kanda)
May 2018	Established Tosei Hotel Ueno Co., Ltd. (became a non-surviving company due to the merger with the consolidated subsidiary Tosei Hotel Management Co., Ltd. in April 2020).
July 2018	Established Tosei Hotel Service Co., Ltd.
April 2020	Commenced the development of logistics facilities as a new asset type in the Development Business (completed construction of T's Logi Hashimoto as the first project).
July 2020	Commenced real estate securitization business utilizing crowdfunding (launched TREC No.1 Setagaya-ku Yoga Apartment Investment Fund as the first project).

Note: In December 2020, the Crowdfunding Business Division, which is in charge of business that utilizes crowdfunding, was newly established.

3. Business description

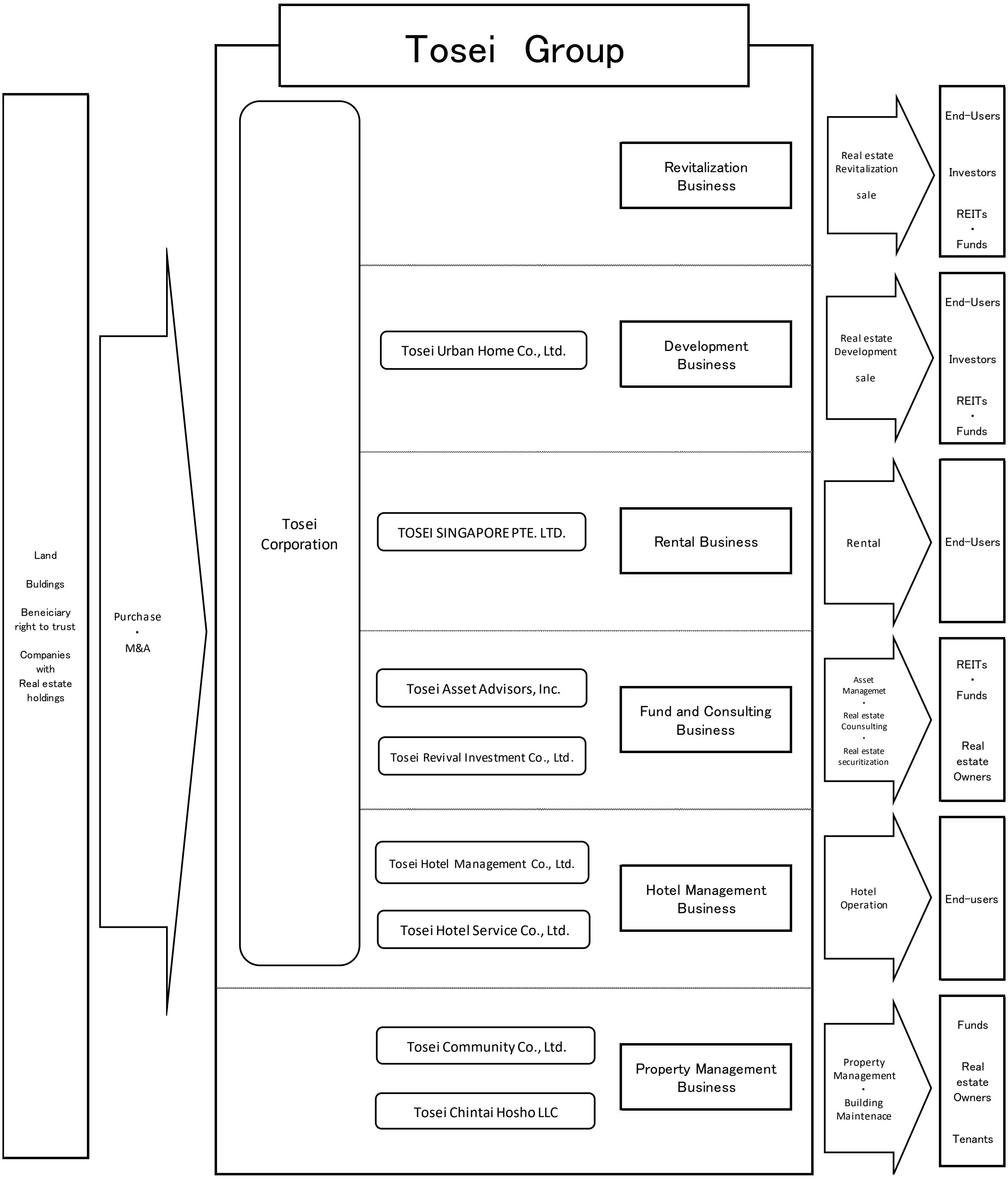
The Tosei Group is composed of Tosei Corporation ("Tosei" or the "Company") and 11 consolidated subsidiaries. Its main businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business and the Hotel Business.

The operations of each business segment and the main subsidiaries and/or affiliates conducting those operations are as follows.

Segment	Operations	Main Companies
Revitalization Business	The Tosei Group acquires, through diverse means (*1), office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value though "value-up plans" (*2) 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. In the "Restyling Business," the Group acquires income-generating condominiums and sells their units to end-users after boosting the value of common and private areas by renovation. The Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This put 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. (*1) The Company carries out the acquisition of superior real estate through a broad range of means that include not only buying and selling actual real estate, but also acquisitions through the means of "real estate M&A" where real estate held by companies with real estate holdings and by real estate business operators is acquired through M&A, and through real estate collateralized loans and rights adjustment for substitute performance real estate. (*2) The Company's "value-up plans" consist of the three primary components of improved designs to refurbish/renovate internal and external elements that have deteriorated or become obsolete, enhanced security functions, etc., to increase the security and functionality of facilities, and incorporating eco-friendly designs and equipment that take the environment into consideration, in addition to improved profitability through conversion projects, vacancy countermeasures, rent increases, etc.	Tosei Corporation
Development Business	In the main districts of Tokyo, which form the Tosei Group's core operating area, there is a mixture of needs for office, commercial and residential space and other uses, and these different uses create significant differences between land values. Tosei verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, Tosei carries out development and new construction to maximize the value of the land, and then sells whole buildings or individual units. The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T's BRIGHTIA series) and mixed-use buildings, hotels, logistics facilities, condominiums (THE Palms series), as well as detached houses (THE 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.	Tosei Corporation, Tosei Urban Home Co., Ltd.
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.	Tosei Corporation

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.	Tosei Asset Advisors, Inc
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. With respect to building maintenance, in order to streamline building owners' operations through building maintenance, the management of equipment, etc., the business maintains the asset values of buildings by implementing precise maintenance plans regarding the age-related deterioration of buildings. With respect to property management, the business provides comprehensive property management such as finding the most suitable tenants and proposing medium- to long-term property renewals, with the aim of realizing maximized owner profit. In the management of condominium, this business makes full use of the knowhow it has accumulated over a number of years to provide total support to management associations from their launch to helping them operate smoothly once they are started up.	Tosei Community Co., Ltd.
Hotel Business	Tosei will move forward proactively with the development of the Tosei Hotels COCONE, hotels with its own brand, and with the conversion of used office buildings into hotels in the Tokyo metropolitan area. The Company provides a range of different services, and has developed hotels utilizing the expertise and networks built up over time in areas including the Development Business, Revitalization Business, and Rental Business.	Tosei Hotel Management Co., Ltd.

A schematic diagram of the businesses of the Tosei Group is shown below.



4. Status of subsidiaries and associates

Name	Location	Capital or investment in capital (¥ thousand)	Major lines of business	Holding rate of voting rights (%)	Relationship
Consolidated subsidiaries					
Tosei Community Co., Ltd.	Minato-ku, Tokyo	99,500	Property management business	100.0	Managing the Company's real estate holdings and interlocking directorate
Tosei Asset Advisors, Inc.	Minato-ku, Tokyo	100,000	Fund and consulting business	100.0	Interlocking directorate
Tosei Revival Investment Co., Ltd.	Minato-ku, Tokyo	50,000	Real estate consulting business	100.0	Interlocking directorate
Tosei Urban Home Co., Ltd.	Machida-shi, Tokyo	100,000	Development business	100.0	
Kishino Corporation	Minato-ku, Tokyo	10,000	Rental Business	100.0	Interlocking directorate
Masuda Kenzai-ten Co., Ltd.	Minato-ku, Tokyo	60,500	Revitalization business	100.0	
Sanki-shoji Co., Ltd.	Minato-ku, Tokyo	30,000	Revitalization business	100.0	
Tosei Hotel Management Co., Ltd.	Minato-ku, Tokyo	100,000	Hotel business	100.0	
Tosei Hotel Service Co., Ltd.	Minato-ku, Tokyo	10,000	Hotel business	100.0	
Tosei Chintai Hosho LLC	Minato-ku, Tokyo	3,000	Property management business	100.0	
Tosei Singapore Pte. Ltd.	Singapore	322,787	Rental Business	100.0	

Notes:1. 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.

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

5. Status of employees

(1) Consolidated companies

(As of November 30, 2020)

Segment	Number of employees (Person)	
Revitalization Business	73	[–]
Development Business	83	[1]
Rental Business	18	[–]
Fund and Consulting Business	83	[–]
Property Management Business	129	[107]
Hotel Business	58	[31]
Corporate (common)	65	[2]
Total	509	[141]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this fiscal year is given in brackets separately.

2. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

3. Compared with November 30, 2019, the number of employees increased by 52 persons. This mainly reflects an increase in employees hired during the fiscal year as a result of business expansion.

(2) Filing company (Tosei)

(As of November 30, 2020)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (¥ thousand)
195	37.9	5.7	7,051

Segment	Number of employees (Person)
Revitalization Business	73
Development Business	43
Rental Business	12
Fund and Consulting Business	1
Hotel Business	1
Corporate (common)	65
Total	195

Notes: 1. The number of employees indicates the number of working employees.

2. The average annual salary includes bonuses and surplus wages.

3. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

(3) Status of labor union

A labor union has not been formed. The Company maintains stable relations with its employees.

II. Review of operations

1. Management policies, management environment, and issues to be addressed, etc.

Forward-looking statements included in this section are based on judgement by the Group's management as of November 30, 2020.

(1) Fundamental management policy

The Tosei Group's corporate philosophy is to create new value and inspiration in all aspects of real estate as a group of global-minded group of seasoned professionals in mind. With remain committed to quality constant commitment to quality construction, the Group is striving to integrate real estate and finance. The Group is also aiming to contribute to society and increase its corporate value through promote various real estate related businesses.

(2) Management environment, the Company's medium- to long-term management strategies and issues to be addressed preferentially

1）Management environment

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.

2) Company's medium- to long-term management policy and management strategies

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.

(3) The Group’s business and financial issues to be addressed preferentially

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
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

2. Business and other risks

Risks that have the potential to affect the performance, share price and financial position of the Tosei Group include, but are not limited to, the issues discussed below. Forward-looking statements are based on Tosei Group judgments as of November 30, 2020. The Tosei Group maintains a policy of recognizing the potential for risks to occur and working to preclude them or manage them if they arise. Furthermore, the information below is not intended to be an exhaustive list of all risks associated with the businesses of the Tosei Group or investment in the Company's shares.

(1) Trends in economic conditions

The demand for office buildings and commercial facilities owned by the Tosei Group may be affected by economic trends, and willingness of customers buying houses to buy is easily influenced by economic trends and the resulting employment situation as well as by a decline in land prices stemming from a downturn in the real estate market or other cause. Due to these factors, when worsening of domestic and foreign economic conditions results in decreased motivation to invest in real estate, a drop in real estate transactions, a rise in the vacancy rate or a decline in rent, there may be an impact on the Tosei Group's operating results and financial position.

In addition to regular monitoring of economic trends and real estate market conditions, the Tosei Group aims to mitigate these risks through measures including cultivating market judgment adapted to different areas, scales, uses and property characteristics, and strengthening investment decision-making and leasing capabilities.

(2) Disasters, etc.

The occurrence of a natural disaster such as a major earthquake in Tokyo, which is believed likely to happen in the future, destructive storm or flood, or a human disaster such as war, terrorism or fire, could cause substantial losses in the values of the real estate the Tosei Group invests in, manages, develops and controls, and therefore has the potential to affect the Tosei Group's operating results and financial position.

The Tosei Group is responding to these risks by establishing a business continuity plan (BCP) for each of the major companies in the Group, and carrying out preparations to ensure that vital businesses can be continued or promptly restored in the event of a disaster.

(3) Dependency on interest-bearing debt and interest rate trend

The Tosei Group procures debt financing, primarily from financial institutions, on a project-by-project basis, to fund expenses associated with business activities including acquisition of land and buildings and construction. Consequently, the ratio of interest-bearing debt to total assets is consistently at a certain level. In the future, if interest rates rise or the lending attitude of financial institutions changes, the cost of financing and the impact on funding could affect the Tosei Group's operating results and financial position.

In addition, lump-sum repayments due to conflicts with financial covenants on some loans, delays of project sales, and lower-than-expected sales revenues also have the potential to affect the operating results and financial position of the Tosei Group.

In addition to regular monitoring of interest rate movements and the lending posture of financial institutions, the Tosei Group is responding to these risks by striving to obtain stable and economical financing, through measures such as establishing credit lines and fixing interest rates to ensure flexible debt funding.

(4) Legal regulations

1) Legal regulations

In addition to the regulations in the Companies Act and the regulations in the Financial Instruments and Exchange Act that apply to listed companies, the main legal regulations pertaining to the businesses of the Tosei Group are as follows.

If these legal regulations are strengthened in the future, the cost of legal compliance measures could increase.

Main legal regulations
• Building Lots and Buildings Transaction Business Act • National Land Use Planning Act • City Planning Act • Building Standards Act • Construction Business Act • Act on Architects and Building Engineers • Housing Quality Assurance Act • Act on Sales, etc. of Financial Products • Real Estate Specified Joint Enterprise Act • Trust Business Act • Act on Investment Trust and Investment Corporations • Act on Securitization of Assets • Real Estate Investment Advisory Business Registration Rules • Act on Assurance of Performance of Specified Housing Defect Warranty • Act on Prevention of Transfer of Criminal Proceeds • Act on Advancement of Proper Condominium Management • Act on Maintenance of Sanitation in Buildings • Security Services Act • Fire and Disaster Management Act • Act on the Rational Use of Energy • Money Lending Business Act • Inns and Hotels Act • Food Sanitation Act

2) Licenses and permits, etc.

The Tosei Group's businesses have obtained the following related licenses and permits in accordance with the laws listed above. As Tosei Group works to observe the current requirements imposed by administrative laws and local ordinances, there has not been any issue that could result in the revocation of licenses or permits. However, the business activities of the Group could profoundly be affected in the event that revocation of licenses or permits occurred or an administrative punishment such as suspension of operating activities for a certain period is imposed due to violation of laws and regulations.

Moreover, if the Tosei Group's business activities are restricted by the strengthening of the above regulations or the introduction of new regulations, the operating results or financial position of the Group could be affected.

The Tosei Group is responding to these risks by sharing and discussing information on changes to relevant laws and regulations and outgoing documents issued by regulatory authorities at forums such as Risk Management and Compliance Committee and business law liaison meetings, and endeavoring to grasp and respond to any issues swiftly. In addition, the Group aims to ensure compliance with laws and regulations through measures such as continuing awareness programs and training related to compliance.

Tosei Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (13) No. 24043	March 23, 2022	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Investment Advisory Business Registration	Minister of Land, Infrastructure, Transport and Tourism	General–No. 127	February 28, 2021	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 30 of the Real Estate Investment Advisory Business Registration Rules)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–29) No. 107905	December 9, 2022	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration No. 46219	April 9, 2021	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.102	–	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	Kanto Financial Bureau Chief (Financial Instruments) No. 898	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)

Tosei Asset Advisors, Inc.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (3) No. 85736	April 7, 2021	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.70	—	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Investment Management Business, Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	Kanto Financial Bureau Chief (Financial Instruments) No. 363	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)
License for discretionary proxy in realty trading	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism No. 52	–	When the authorization has been obtained through wrongful means, or damages have been caused to another party in the course of business, the authorization shall be rescinded. (Article 67-2 of the Building Lots and Buildings Transaction Business Act)

Tosei Community Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (4) No. 80048	September 28, 2021	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–29) No. 119534	March 10, 2023	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration No. 49526	January 14, 2024	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Condominium Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (4) No. 030488	May 21, 2022	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 83 of the Act on Advancement of Proper Condominium Management)
Building Environmental Health Comprehensive Management Company	Governor of Tokyo	Tokyo Governor's License (Comprehensive 19) No. 273	October 3, 2025	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 12-4 of the Act on Maintenance of Sanitation in Buildings)
Security Service License	Tokyo Public Safety Commissioner	Security Service Law Authorization No. 30002591	October 14, 2021	When the recognition has been obtained through wrongful means, or the provisions of causes for disqualification are applicable, the recognition shall be rescinded. (Article 8 of the Security Services Act)

Tosei Revival Investment Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (3) No. 88903	February 22, 2023	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Money Lending Business Registration	Governor of Tokyo	Tokyo Governor, (4) No. 31311	March 16, 2022	When the registration has been made through wrongful means, or the provisions of causes for disqualification are applicable, the registration shall be rescinded. (Article 24-6-5 of the Money Lending Business Act)

Tosei Urban Home Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No.105424	October 23, 2025	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–1) No.112893	March 24, 2025	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration No.54776	June 24, 2023	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)

Kishino Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No.99269	June 3, 2021	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Masuda Kenzai-ten Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No.101703	March 2, 2023	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Sanki-shoji Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (1) No.102292	July 13, 2023	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Tosei Hotel Management Co., Ltd

Tosei Hotel COCONE Kanda

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Mayor of Chiyoda-ku,	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License	Mayor of Chiyoda-ku,	Restaurant Business License	March 31, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)
Coffee Shop Business License	Mayor of Chiyoda-ku,	Coffee Shop Business License (Vending Machines)	October 31, 2025	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)

Tosei Hotel COCONE Ueno

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Mayor of Taito-ku,	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License	Mayor of Taito-ku,	Restaurant Business License	November 30, 2025	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)
Coffee Shop Business License	Mayor of Taito-ku,	Coffee Shop Business License (Vending Machines)	May 31, 2025	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)

Tosei Hotel & Seminar Makuhari

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Governor of Chiba-prefecture	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License (Restaurant)	Governor of Chiba-prefecture	Restaurant Business License	February 28, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)
Coffee Shop Business License (Coffee shop)	Governor of Chiba-prefecture	Coffee Shop Business License	February 28, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)

Tosei Hotel COCONE Asakusakuramae

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Mayor of Taito-ku,	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards
Coffee Shop Business License	Mayor of Taito-ku,	Coffee Shop Business License (Vending Machines)	April 30, 2025	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)

Tosei Hotel COCONE Uenookachimachi

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Mayor of Taito-ku,	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards
Coffee Shop Business License	Mayor of Taito-ku,	Coffee Shop Business License (Vending Machines)	June 30, 2025	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 55 of the Food Sanitation Act)

(5) Changes in accounting standards and the real estate tax system

Changes regarding accounting standards and the real estate tax system could cause increases in the cost of holding, acquiring and selling assets, and therefore have the potential to affect the operating results and financial position of the Tosei Group.
Regarding changes in accounting standards and changes in the real estate taxation system, the Tosei Group strives to identify the effect of these changes on the Group's performance and financial position at an early stage, by collecting timely information on changes in real estate taxation.

(6) New businesses

The Tosei Group is promoting new business that utilizes crowdfunding, in addition to acquisition of companies, establishment of subsidiaries, etc., for the purpose of expanding the recently-launched hotel business and other existing business such as the logistics facility development business. Since the performance of these business operations involves various uncertainties, the Tosei Group has established the internal management system, developed human resources, obtained insurance, etc. on the assumption of all possible risks. However, there may be an impact on the Tosei Group's financial position and operating results, depending on the occurrence of risks beyond the assumption or changes in laws and regulations.In addition to measures that anticipate risks as far as possible, such as establishing internal control systems, developing human resources and obtaining insurance, the Tosei Group is responding to these risks through measures such as regular monitoring of the progress of business strategy and changes in the business environment and timely reviews of strategy in accordance with changes in the environment.

(7) The novel coronavirus (COVID-19) infection

Due to the spread of the COVID-19 infection, a significant drop in demand for hotel accommodation and a deterioration in business performances of the tenants of commercial facilities have been seen sporadically in the real estate industry in which the Tosei Group operates its business as well. Under this environment, the Tosei Group has reported valuation losses mainly in its hotel and commercial facilities for which there has been a particular concern that market prices are expected to fall. Going forward, the prolongation of the slowdown in economic activities associated with the spread of infections may cause a decline in the performance of the Hotel Business and recording of further valuation losses, which could potentially impact the Tosei Group's financial position and operating results.
Additionally, should any of our employees become infected, business activities may be disrupted due to the closing of offices.
As a measure against these risks, the Tosei Group will follow the policies of the government and other agencies as well as the guidelines of each industry, and strive to thoroughly implement infection prevention measures by placing the highest priority on ensuring the safety of its customers and employees.

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

The following is a summary of the Group's financial position, performance and cash flows (hereinafter, "business performance") and analysis and discussions of the Group's operating results from the viewpoint of management for the fiscal year ended November 30, 2020.

Forward-looking statements are based on Tosei Group judgments as of November 30, 2020.

(1) Analysis and discussions of the Group's operating results from the viewpoint of management

1) Recognition of business environment and business performance

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

In the real estate industry where Tosei Group operates, domestic real estate investments from January to September 2020 decreased by only 2% year on year to ¥3.4 trillion, showing a rebound led mainly by logistics facilities and residential properties after a temporary fall. While there are uncertainties in the future investment market, the Japanese market is enjoying considerable popularity among overseas investors for its being relatively less affected by COVID-19. Thanks to increased inbound investments, Tokyo ranked first in the world cities for real estate investments (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of newly supplied units from January to October 2020 decreased 20.7% year on year to 17,000 units. After falling sharply in April and May due to voluntary sales restraints under the state of emergency, the number of units newly offered for sale exceeded previous year's results for the second consecutive month in September and October. In addition, the average contract rate for the first month remained above the 70% threshold from which market conditions are viewed as favorable, and there have been signs of recovery. In the build-for-sale detached house market, housing starts from January to September 2020 numbered 40,000 units, a decrease of 14.2% year on year (according to a survey by a private research institute).

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

In the office leasing market of Tokyo's five business wards, the vacancy rate started rising from March 2020, bringing the average vacancy rate as of October 2020 to 3.93% (an increase of 2.30 percentage points year on year). The average asking rent was ¥22,434 per tsubo, falling for the third consecutive month starting in August, although ¥424 higher than that in the same month of the previous fiscal year. Concerns over the economic outlook is causing a slowdown in expansions and contract cancellations as tenants move towards consolidating locations and cutting back on space, and the future trend in supply and demand needs to be monitored (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock in October 2020 amounted to 6.32 million tsubo (an increase of 10.8% year on year). The vacancy rate was 0.4%, and remained at the lowest level since surveys began in 2008, amid continued tight supply relative to demand. Going forward, the vacancy rate is expected to remain low, due to the continuously growing use of e-commerce (according to a survey by a private research institute).

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

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

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of condominiums, detached houses and logistics facilities.

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

Performance by business segment is shown below.

Revitalization Business

During the fiscal year under review, the segment sold 43 properties which had been renovated, including Kagurazaka Plaza Building (Shinjuku-ku, Tokyo), T's garden Kita-Kashiwa (Kashiwa-shi, Chiba), Komagome-3chome Building (Toshima-ku, Tokyo). In addition, the segment sold four units in the Restyling Business from Ecology Ochiai Residence (Shinjuku-ku, Tokyo), Hilltop Yokohama Higashi Terao (Yokohama-shi, Kanagawa) and others.

During the fiscal year under review, it also acquired a total of 25 income-generating office buildings and apartments for renovation and sales purposes, and seven land lots.

In addition, the Group reviewed the valuation of its income-generating properties in view of the impact of COVID-19, and revalued some properties at net realizable value in accordance with the provisions of IAS 2 "Inventories." As a result, cost of revenue was increased by regarding valuation loss of ¥1,531 million. As a result, revenue in this segment was ¥31,154 million (up 0.5% year on year) and the segment profit was ¥5,596 million (down 27.8%).

Development Business

During the fiscal year under review, the segment focused on the sale of newly built condominium and detached houses for which there was firm demand. The segment sold 243 units at THE Palms Sagamihara Park Brightia (Sagamihara-shi, Kanagawa) in newly build condominium and sold 80 detached houses at such properties as THE Palms Court Mitsuikekoen Ⅱ (Yokohama-shi, Kanagawa) and THE Palms Court Kokubunji Koigakubo (Kokubunji-shi, Tokyo). In addition, the segment sold one logistics facility, one commercial facility and six land lots.

During the fiscal year under review, it also acquired one land lot for rental apartment project, one land lot for commercial facility project and land lots for 40 detached houses.

In addition, in the Development Business, the Group reviewed the valuation of its income-generating properties in view of the impact of COVID-19, and revalued some properties at net realizable value in accordance with the provisions of IAS 2 "Inventories." As a result, cost of revenue was increased by regarding valuation loss of ¥6,252 million.As a result, revenue in this segment was 16,171 million (up 12.7% year on year) and the segment loss was ¥3,743 million (in comparison with segment profit of ¥1,528 million in the previous fiscal year).

Rental Business

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

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

Fund and Consulting Business

During the fiscal year under review, while ¥69,998 million was subtracted due mainly to property dispositions by funds, ¥346,926 million was added due to new lage asset management contracts from the balance of assets under management (Note) ¥846,478 million for the end of the previous fiscal year. The balance of assets under management as of November 30, 2020, was ¥1,123,406 million.

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

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

Property Management Business

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

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

Hotel Business

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

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

2) Analysis and Discussion of Operating Results

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

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

As a result of these business activities, consolidated revenue for the fiscal year under review totaled ¥63,939 million (up 5.3% year on year), profit before tax was ¥5,901 million (down 51.2%), and profit for the year was ¥3,602 million (down 57.4%). Although the operating environment is such that it is not easy to predict when the COVID-19 epidemic will come to an end, Tosei is continuing to expand its purchasing activities for future growth, and is striving to recover its real estate Trading business while ensuring sufficient liquidity on hand and financial soundness.

(2) Status of production, orders received and sales

1) Actual production

As the Tosei Group's principle business activities are revitalization, development, rental, fund and consulting, property management and hotel, it is difficult to define "actual production." Accordingly, the Company does not report actual production.

2) Actual orders received

Although subsidiaries of the Company receive orders for production, the Company does not report actual orders received because its amount is immaterial.

3) Actual sales

Consolidated actual sales for each segment in the fiscal year under review are shown below.

Segment	Fiscal year ended November 30, 2020	Comparison with the previous fiscal year (%)
	Amount (¥ thousand)	
Revitalization Business	31,154,223	0.5
Development Business	16,171,200	12.7
Rental Business	5,810,503	(2.2)
Fund and Consulting Business	5,676,067	51.2
Property Management Business	4,690,599	2.3
Hotel Business	437,186	(59.8)
Total	63,939,781	5.3

Notes: 1. Transactions between segments were eliminated.

2. The amounts of sales to each major customer and the ratios of the said sales to total sales in the two most recent fiscal years are as follows.

Customer	Fiscal year ended November 30, 2019		Fiscal year ended November 30, 2020	
	Amount (¥ thousand)	Ratio (%)	Amount (¥ thousand)	Ratio (%)
Tosei Reit Investment Corporation	8,969,028	14.8	7,385,129	11.6

3. The above amounts do not include consumption taxes.

(3) financial position

The consolidated financial position as of November 30, 2020 was as follows. Total assets decreased 0.1% compared with the end of the previous fiscal year to ¥161,684 million, liabilities down 0.8% to ¥102,714 million, and equity rose 1.1% to ¥58,969 million. The ratio of equity attributable to owners of parent to total assets was 36.5%, compared with 36.0% at the end of the previous fiscal year.

Current assets

As of November 30, 2020, the balance of current assets was ¥105,664 million, an decrease of ¥3,669 million compared with the end of the previous fiscal year.

This is mainly due to increase in Cash and cash equivalents (up ¥5,040 million year on year) and decrease in inventories because sales of properties in the revitalization and development businesses, which are the core operations of the Company, exceeded the number of properties the Company sold and the Group recorded loss on valuation of inventories (down ¥8,156 million year on year) etc.

Non-current assets

As of November 30, 2020, the balance of non-current assets was ¥56,020 million, up ¥3,459 million compared with the end of the previous fiscal year. This is mainly due to increase in Property, plant and equipment (up ¥14,823 million year on year) and decrease in investment properties (down ¥10,880 million year on year) etc.

Current liabilities

As of November 30, 2020, the balance of current liabilities was ¥18,786 million, down ¥6,267 million compared with the end of the previous fiscal year.

This is mainly due to decrease in borrowings (down ¥4,496 million year on year) .

Non-current liabilities

As of November 30, 2020, the balance of non-current liabilities was ¥83,928 million, up ¥5,394 million compared with the end of the previous fiscal year.
This is mainly due to, increase in borrowings (up ¥5,640 million year on year) .

Equity

As of November 30, 2020, equity was ¥58,969 million, an increase of ¥663 million compared with the end of the previous fiscal year. This is mainly due to a ¥1,602 million increase in retained earnings and ¥500 million due to purchase of treasury shares etc.

(4) Cash flows

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

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Trends of cash-flow indicators

	Fiscal year ended Nov. 30, 2018	Fiscal year ended Nov. 30, 2019	Fiscal year ended Nov. 30, 2020
Ratio of equity attributable to owners of parent to total assets (%)	37.5	36.0	36.5
Market value ratio of equity attributable to owners of parent to total assets (%)	36.0	39.1	33.9
Interest-bearing debt to cash flow ratio (years)	9.9	－	7.3
Interest coverage ratio (times)	7.9	－	12.9

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

Notes: 1. All indicators are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares, excluding treasury shares.
3. The figures for cash flows employ net cash from operating activities.
4. Interest-bearing debt includes all debt recorded in the consolidated statement of financial position on which interest is paid.
5. Interest-bearing debt to cash flows ratio and interest coverage ratio are not presented for the consolidated fiscal year ended November 30, 2019 because net cash used in operating activities was recorded minus in the consolidated statements of cash flows for the said fiscal year.

(5) Significant accounting policies and estimates

The financial statements of the Tosei Group are prepared in accordance with IFRS. For significant accounting policies and estimates for the presentation of these consolidated financial statements, please refer to “3. Significant accounting policies” and “4. Significant accounting estimates and judgments requiring estimates” in “V. Accounting, 1. Consolidated financial statements, etc., Notes to Consolidated Financial Statements.”

(6) Objective benchmarks used to judge the achievement of management policy, management strategies and management targets

The results for the current fiscal year against the planned figures for the previous medium-term management plan "Seamless Growth 2020" (December 2017 to November 2020), which ends in the fiscal year ending November 2020, was as follows.

For the analysis of business results for the fiscal year ended November 30, 2020, please refer to "(1) Analysis and discussions of the Group’s operating results from the viewpoint of management"

(Medium-term management plan "Seamless Growth 2020" (December 2017 to November 2020))

Plan

	Initial numerical targets Fiscal year ended Nov. 30, 2018 (Initial Plan)	Initial numerical targets Fiscal year ended Nov. 30, 2019 (Initial Plan)	Initial numerical targets Fiscal year ended Nov. 30, 2020 (Initial Plan)	Revised numerical targets (announced on January 9, 2020) Fiscal year ended Nov. 30, 2020
Consolidated revenue	¥67.8 billion	¥83.4 billion	¥100 billion	¥80.3 billion
Consolidated profit before tax	¥10 billion	¥11.3 billion	¥12 billion	¥13 billion
Average profit growth rate of the three years	–	–	10% or more	10% or more
Average ROE of the three years	–	–	12% or more	12% or more
The ratio of stable business (The trading business : The stable business)	–	–	50:50	60:40
Equity ratio	–	–	35.0%	36.0%

Note: “Initial plan” refers to figures in the medium-term management plan “Seamless Growth 2020,” which was formulated in the fiscal year ended November 30, 2017 and announced in January 2018. Only consolidated revenue and consolidated profit before tax have been disclosed for the fiscal years ended November 30, 2018 and November 30, 2019.

Results

	Fiscal year ended Nov. 30, 2018	Fiscal year ended Nov. 30, 2019	Fiscal year ended Nov. 30, 2020
Consolidated revenue	¥61.5 billion	¥60.7 billion	¥63.9 billion
Consolidated profit before tax	¥10.1 billion	¥12 billion	¥5.9 billion
Profit growth rate of the year	12.4%	18.9%	–
ROE of the year	14.0%	15.3%	11.8%
The ratio of stable business (The trading business : The stable business)	56:44	55:45	24:76
Equity ratio	37.5%	36.0%	36.5%

Note: Profit growth rate and ROE for the fiscal year ended November 30, 2018 and the fiscal year ended November 30, 2019, have been calculated based on results for each single fiscal year. Profit growth rate and ROE for the fiscal year ended November 30, 2020 have been calculated based on the average of three years.

(Results for the fiscal year under review compared to the plan)

Results for the fiscal year under review (planned and actual) are as follows.

	Initial numerical targets Nov. 30, 2020 (Initial Plan)	Revised numerical targets Fiscal year ended Nov. 30, 2020 (A)	Fiscal year ended Nov. 30, 2020 (results) (B)	Results for the fiscal year under review compared to the plan (B)-(A)
Consolidated revenue	¥100 billion	¥80.3 billion	¥63.9 billion	¥(16.4) billion
Consolidated profit before tax	¥12 billion	¥13 billion	¥5.9 billion	¥(7.1) billion
Profit growth rate of the year	10% or more	10% or more	—	—
ROE of the year	12% or more	12% or more	11.8%	—
The ratio of stable business (The trading business : The stable business)	50:50	60:40	24:76	—
Equity ratio	35.0%	36.0%	36.5%	—

Note: "Initial numerical targets November 30, 2020 (initial plan)" and "Revised numerical targets Fiscal year ended November 30, 2020 (revised)" refer to figures in the medium-term management plan "Seamless Growth 2020," announced in January 2018, and the consolidated results forecast announced in January 2020, respectively.

(7) Source of equity and liquidity of funds

Funding demand of the Group's business activities are mainly related to the purchase of buildings for business use and land. The Group meets these needs through its own funds, borrowings from banks and other methods of procurement that place emphasis on flexibility and long-term stability.

4. Important operational contracts, etc.

None

5. Research and development activities

None

III. Facilities

1. Outline of capital expenditures

In the fiscal year ended November 30, 2020, we made capital expenditures totaling ¥3,696million. A major portion of this amount was due to acquisition of investment properties of the Rental Business.

During the fiscal year under review, there were no material transactions related to the retirement or sale etc. of facilities.

2. Main facilities

(1) Filing company (Tosei)

(As of November 30, 2020)

Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
			Buildings and structures	Land (Size m^2)	Other	Total	
Head office (Minato-ku, Tokyo)	Supervising administration facilities	Office facilities	914,488	2,219,719 (633.53)	38,141	3,172,349	195
Leasing properties (20 properties in Chiyoda-ku, Tokyo, etc.)	Rental Business	Rental buildings, stores, etc.	10,506,218	20,167,907 (29,602.27)	1,090,654	31,764,780	—
Leasing properties (5 properties in Chiyoda-ku, Tokyo, etc.)	Hotel Business	Hotel facilities	6,161,397	5,322,070 (8,781.41)	248,015	11,731,483	—
Total	–	–	17,582,105	27,709,697 (39,017.21)	1,376,810	46,668,613	195

Note: The above amounts do not include consumption taxes.

(2) Domestic subsidiaries

(As of November 30, 2020)

Company name	Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
				Buildings and structures	Land (Size m^2)	Other	Total	
Tosei Revival Investment Co., Ltd.	Leasing properties (property in Arakawa-ku, Tokyo, etc.)	Rental Business	Apartment, Rental building	158,617	—	4	158,622	—
Tosei Urban Home Co., Ltd.	Head office (Machida-shi, Tokyo)	Development Business	Office facilities	55,471	185,346 (420.71)	6,793	247,612	40
Kishino Corporation	Leasing properties (2 properties in Toshima-ku, Tokyo, etc.)	Rental Business	Rental building	165,196	2,656,008 (555.60)	—	2,821,205	—

Note: The above amounts do not include consumption taxes.

3. Plans for new installation and retirement of facilities

None

IV. Filing company

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

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

Class	Total number of shares authorized (Share)
Ordinary shares	150,000,000
Total	150,000,000

2) Number of shares issued

Class	Number of shares issued (Share; as of Nov. 30, 2020)	Number of shares issued (Share; as of the date of filing: Feb. 26, 2021)	Name of financial instruments exchange where shares of Tosei are traded or name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (First Section) and Main Board of Singapore Exchange	Share unit number: 100 shares
Total	48,683,800	48,683,800	–	–

(2) Status of stock acquisition rights

1) The detail of the stock option system

Date of resolution	April 25, 2019
Title and number of grantees	The Company's directors: seven persons (including two outside directors) The Company's executive officers: five persons The Company's employees: 264 persons Directors of the Company's subsidiaries: four persons
Number of stock acquisition rights (Note1)	7,250 (Note 2)
Number of shares delivered upon exercise of stock acquisition rights (shares) (Note1)	Ordinary shares 725,000 (Note 2)
Amount to be paid in upon exercise of stock acquisition rights (¥) (Note1)	1,006 (Note 3)
Period during which stock acquisition rights may be exercised (Note1)	From May 1, 2021 to April 25, 2024
Issue price and amount capitalized of shares when issued through the exercise of stock acquisition rights (¥) (Note1)	Issue price: 1,006 Amount capitalized: 503
Terms and conditions for exercising stock acquisition rights	(Note 4)
Transfer of stock acquisition rights (Note1)	Acquiring stock acquisition rights through transfer shall require approval by resolution of the Company's Board of Directors.
Delivery of stock acquisition rights in line with acts of structural reorganization (Note1)	(Note 5)

Notes: 1. The information is as of the end of fiscal year (November 30, 2020). Regarding items for which a change has occurred during the period from the end of the fiscal year under review until the end of the last month before the filing date (January 31, 2021), information as of the end of the last month before the filing date is shown in square brackets.

2. The number of shares delivered upon exercise of each of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares. In the event that the Company conducts a share split (including allotment of ordinary shares of the Company without contribution; hereinafter the same for a share split) or a consolidation of shares, of ordinary shares of the Company after the date on which the allotment of stock acquisition rights is conducted (the "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula. However, the relevant adjustment shall only be made to the

number of shares to be delivered upon exercise of stock acquisition rights that have not yet been exercised as of the relevant point in time. Any fraction less than one (1) share resulting from this adjustment shall be rounded down.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or consolidation}$$

In the event that the Company conducts a share split, the Number of Shares Granted after adjustment shall apply on and after the following day of the base date of the share split (or on and after the effective date if no base date is set). In the event of a consolidation of shares, the Number of Shares Granted after adjustment shall apply on and after its effective date. However, in the event that a share split is conducted under the condition that a proposal to decrease surplus and increase capital stock or legal capital surplus is approved at a general meeting of shareholders of the Company ("General Meeting of Shareholders"), and a date before the date of conclusion of the General Meeting of Shareholders is set as the base date of the share split, the Number of Shares Granted after adjustment shall apply on and after the following day of the date of conclusion of the General Meeting of Shareholders.

In addition, in the event that, after the Allotment Date, the Company conducts a merger, a company split or a share exchange, and in any event equivalent to these in which it becomes necessary to adjust the Number of Shares Granted, the Company may make the adjustment that the Board of Directors deems necessary.

3. In the event that, after the Allotment Date, the Company conducts the following (1) or (2) regarding its ordinary shares, the Exercise Value shall be adjusted according to the respective formula below (the "Exercise Value Adjustment Formula"). Any fraction less than one (1) yen resulting from this adjustment shall be rounded up.

(1) When the Company conducts a share split or a consolidation of shares:

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

(2) When the Company issues new shares or disposes of its treasury shares for a value less than the market value (excluding the following cases: sale of treasury shares due to "a demand for sale of shares less than one unit by a holder of shares less than one unit" stipulated in Article 194 of the Companies Act, transfer of treasury shares in accordance with Article 5, paragraph 2 of the Supplementary Provisions of the Act for Partial Amendment, etc. of the Commercial Code, etc. (Act No. 79 of 2001), exercise of subscription rights to shares under Article 280-19 of the Commercial Code before the enforcement of the Act Partially Amending the Commercial Code, etc. (Act No. 128 of 2001), conversion of securities that are or may be converted to the ordinary shares of the Company, and exercise of stock acquisition rights that may claim to deliver the ordinary shares of the Company including stock acquisition rights incidental to bonds with stock acquisition rights):

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Market Value}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

i. The "Market Value" used in the Exercise Value Adjustment Formula shall be the average value of the closing price (including a quotation; hereinafter the same) for regular transactions of the ordinary shares of the Company at the Tokyo Stock Exchange (excluding any day on which no closing price is made) for 30 transaction days starting on the 45th transaction day preceding "the date on which the Exercise Value after adjustment shall apply" stipulated in (3) below (the "Application Date"). The "average value" shall be calculated to two decimal places and rounded off to one decimal place.

ii. The "Number of shares outstanding" shall be obtained by subtracting the number of own ordinary shares held by the Company as of the base date, if any, or the day one month before the Application Date in other cases from the total number of the ordinary shares issued as of such date.

iii. In the event that the Company disposes of its treasury shares, the "Number of shares newly issued" shall be deemed to be replaced with the "Number of treasury shares to be disposed of."

(3) The date on which the Exercise Value after adjustment applies is stipulated as follows.

i. If adjusted in accordance with (1) above, the Exercise Value after adjustment shall apply on and after the following day of the base date (or on and after the effective date if no base date is set) in the case of a share split, or on and after the effective date in the case of a consolidation of shares. However, in the event that a share split is conducted under the condition that a proposal to decrease surplus and increase capital stock or legal capital surplus is approved at a General Meeting of Shareholders, and a date before the date of conclusion of the General Meeting of Shareholders is set as the base date of the share split, the Exercise Value after adjustment shall retroactively apply on the following day of such a base date, on and after the following day of the conclusion date of the General Meeting of Shareholders.

Further, in the case set forth in the preceding proviso, the ordinary shares of the Company shall be delivered to a holder of stock acquisition rights who has exercised stock acquisition rights during the period from the following day of the base date of a share split to the date of conclusion of the General Meeting of Shareholders according to the following formula (the number of shares to be delivered upon exercise of such stock acquisition rights is hereinafter referred to as the "Number of Shares Exercised before a share split"). Any fraction less than one (1) share resulting from this adjustment shall be rounded down.

$$\text{Number of Shares} = \frac{(\text{Exercise Value before adjustment} - \text{Exercise Value after adjustment}) \times \text{Number of Shares Exercised before a share split}}{\text{Exercise Value after adjustment}}$$

ii. The Exercise Value after adjustment adjusted in accordance with (2) above shall apply on and after the following day of the payment due date (the last day of the payment period if such a period is set) of issuance or disposal (on and after the following day of the base date if such a date is set).

(4) In addition to the case stipulated in (1) and (2) above, in the event that the Company conducts a merger, a company split or a share exchange after the Allotment Date, and in any event equivalent to these in which it becomes necessary to adjust the Exercise Value, the Company may make the adjustment that the Board of Directors deems necessary.

4. Terms and conditions for exercising stock acquisition rights are as follows:

(1) Terms and conditions for respective segment of persons

i. Directors of the Company

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. Executive Officers and employees of the Company, and directors of subsidiaries of the Company

Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director or Audit & Supervisory Board Member of the Company or a subsidiary of the Company due to retirement at the expiration of the period in office, or who no longer have the rank of Executive Officer or employee of the Company or a subsidiary of the Company due to retirement at mandatory age. In addition, this shall not apply in the event that persons with the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company or a subsidiary of the Company lose such a rank based on justifiable grounds.

(2) Terms and conditions for all the holders of stock acquisition rights

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

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

5. Matters regarding delivery of stock acquisition rights associated with organizational restructuring are as follows:

In the event that the Company conducts a merger (limited to the case where the Company is to be absorbed as a result of the merger), an absorption-type company split or incorporation-type company split (limited to the case where the Company is to be a split company in both company splits), a share exchange or a share transfer (limited to the case where the Company is to be a wholly-owned company in both types of restructuring) (collectively "Organizational Restructuring"), the stock acquisition rights of a company listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered respectively to a holder of stock acquisition rights who owns the remaining unexercised stock acquisition rights (the "Remaining Stock Acquisition Rights") immediately before the date when Organizational Restructuring takes effect (the date when an absorption-type merger takes effect, the date when a stock company is incorporated through an incorporation-type merger, the date when an absorption-type company split takes effect, the date when a stock company is incorporated through an incorporation-type company split, the date when a share exchange takes effect, or the date when a wholly owning parent company is incorporated through a share transfer; hereinafter the same), provided that such effect by which the stock acquisition rights of the Reorganized Company shall be delivered in accordance with the following items shall be stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.

(1) Number of stock acquisition rights of the Reorganized Company to be delivered

The number of stock acquisition rights of the Reorganized Company to be delivered shall equal the number of the Remaining Stock Acquisition Rights held by the holders of stock acquisition rights.

(2) Class of shares delivered upon exercise of stock acquisition rights of the Reorganized Company

The class of shares shall be ordinary shares of the Reorganized Company.

(3) Number of shares delivered upon exercise of stock acquisition rights of the Reorganized Company

The number of shares shall be determined in accordance with the preceding "Number of shares," taking into account conditions of the Organizational Restructuring, etc.

(4) Value of property to be contributed upon exercise of stock acquisition rights

The value of property to be contributed upon exercise of each of the stock acquisition rights to be delivered shall be an amount obtained by multiplying the Exercise Value after Organizational Restructuring, which is obtained by adjusting the Exercise Value stipulated in the preceding "Amount to be paid in upon exercise of stock acquisition rights " in consideration of conditions of the Organizational Restructuring, etc., by the number of shares delivered upon exercise of stock acquisition rights of the Reorganized Company, which shall be determined in accordance with (3) above.

(5) Period during which stock acquisition rights may be exercised

The period during which stock acquisition rights may be exercised shall start on either the commencing date of the exercisable period of stock acquisition rights stipulated in the preceding “Period during which stock acquisition rights may be exercised” or the effective date of the Organizational Restructuring, whichever is later, and end on the expiration date of the exercisable period of stock acquisition rights stipulated in the preceding “Period during which stock acquisition rights may be exercised”.

(6) Matters regarding amount of increase of capital stock and legal capital surplus through issuing shares upon exercise of stock acquisition rights

Matters regarding capital stock and legal capital surplus to be increased shall be determined in accordance with the matters set forth in the Remaining Stock Acquisition Rights.

(7) Restriction on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Reorganized Company.

(8) Terms and conditions for exercising stock acquisition rights

Terms and conditions for exercising stock acquisition rights shall be determined in accordance with the preceding “Terms and conditions for exercising stock acquisition rights.”

(9) Terms of acquisition of stock acquisition rights

The Company may acquire stock acquisition rights at no charge on the date stipulated separately by the Board of Directors in the event that the any of the following proposals (i) through (v) is approved by a General Meeting of Shareholders (or resolution is made by the Board of Directors or by Executive Officers who are delegated such a decision pursuant to the provisions of Article 416, paragraph 4 of the Companies Act, if the resolution of the General Meeting of Shareholders is not required).

(i) Proposal for approval of a merger agreement under which the Company becomes an absorbed company

(ii) Proposal for approval of a company split agreement or plan under which the Company becomes a split company

(iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned company

(iv) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of all kinds of shares of the Company

(v) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of the shares underling stock acquisition rights, or that the Company may obtain all of the said shares by the resolution of the General Meeting of Shareholders.

2) Details of rights plan

None

3) Details of other stock acquisition rights, etc.

None

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

None

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

Date	Fluctuation in the number of shares issued (Shares)	Balance of shares issued (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in legal capital surplus (¥ thousand)	Balance of legal capital surplus (¥ thousand)
Dec. 1, 2017 to Nov. 2018 (Notes)	260,800	48,544,800	132,747	6,554,139	132,747	6,637,615
Dec. 1, 2018 to Nov. 2019 (Notes)	50,500	48,595,300	25,704	6,579,844	25,704	6,663,319
Dec. 1, 2019 to Nov. 2020 (Notes)	88,500	48,683,800	45,046	6,624,890	45,046	6,708,366

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

(5) Shareholder composition

(As of November 30, 2020)

Category	Shareholder composition (Share unit number: 100 shares)								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Other than Individuals.	Individuals			
Number of shareholders (Person)	–	20	22	166	196	35	22,310	22,749	–
Number of shares held (Unit)	–	47,809	8,060	60,471	170,340	39	200,072	486,791	4,700
Holding rate of shares (%)	–	9.82	1.65	12.42	34.99	0.00	41.10	100.00	–

Notes:1. 1,508,353 shares of treasury shares are included 15,083 units in "individuals, etc.", 53 shares in "Shares less than one unit".

2.The number of “Other corporations” includes 4 units in the name of Japan Securities Depository Center, Inc.

(6) Status of major shareholders

(As of November 30, 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	27.31
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.71
QUINTET PRIVATE BANK (EUROPE) S.A. 107704 (Standing proxy: Hongkong And Shanghai Banking Corporation Limited, Tokyo Branch)	43, Boulevard Royal, L-2955 Luxembourg (2-15-1 Konan, Minato-ku, Tokyo, Japan)	3,777,400	8.00
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)	1,804,400	3.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	1,523,200	3.22
Custody Bank of Japan, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	851,900	1.80
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	843,223	1.78
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)	835,929	1.77
NORTHERN TRUST CO. (AVFC) RE IEDU 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)	778,400	1.65
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	628,700	1.33
Total	–	29,928,652	63.44

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 (1,508,353 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 June 11, 2020, states that SAMARANG UCITS held the following shares as of June 4, 2020. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review, 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	SAMARANG UCITS
Address	11a Avenue Monterey L-2163 Luxembourg
Number of share certificates, etc. held (shares)	3,659,800
Holding ratio of share certificates, etc. (%)	7.52

4. The change report for the large shareholding report, which was made accessible to the public as of September 17, 2020, states that Grantham Mayo Van Otterloo & Co. LLC held the following shares as of September 10, 2020. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review, 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	Grantham Mayo Van Otterloo & Co. LLC
Address	40 Rowes Wharf, Boston, Massachusetts 02110, U.S.A
Number of share certificates, etc. held (shares)	3,091,300
Holding ratio of share certificates, etc. (%)	6.36

(7) Status of voting rights

1) Shares issued

(As of November 30, 2020)

Classification	Number of shares (Share)	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 1,508,300	–	–
Shares with full voting rights (Other)	Ordinary shares 47,170,800	471,708	–
Shares less than one unit	Ordinary shares 4,700	–	–
Total number of shares issued	48,683,800	–	–
Total number of voting rights	–	471,708	–

Note1: 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 53 shares of treasury shares.

2) Treasury shares, etc.

(As of November 30, 2020)

Name of shareholders	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in total number of shares issued (%)
(Treasury shares held) TOSEI CORPORATION	4-2-3, Toranomon, Minato-ku, Tokyo, Japan	1,508,300	–	1,508,300	3.09
Total	–	1,508,300	–	1,508,300	3.09

2. Acquisition of treasury shares

[Class of shares] Acquisition of common shares in accordance with Article 155, item 3

(1) Acquisition by resolution of the General Meeting of Shareholders

None

(2) Acquisition by resolution of the Board of Directors

Category	Number of shares (shares)	Value (¥ thousand)
Status of resolution at the Board of Directors (April 6, 2020) (Acquisition period: April 8, 2020 to October 31, 2020)	700,000	500,000
Treasury shares acquired prior to the fiscal year ended November 30, 2020	—	—
Treasury shares acquired during the fiscal year ended November 30, 2020	499,500	499,965
Total number and value of remaining shares with voting rights	200,500	35
Unexercised portion as of the end of the fiscal year ended November 30, 2020 (%)	28.64	0.00
Treasury shares acquired during the period under review	—	—
Unexercised portion as of the date of filing (%)	28.64	0.00

Category	Number of shares (shares)	Value (¥ thousand)
Status of resolution at the Board of Directors (January 25, 2021) (Acquisition period: February 1, 2021 to July 31, 2021)	700,000	500,000
Treasury shares acquired prior to the fiscal year ended November 30, 2020	—	—
Treasury shares acquired during the fiscal year ended November 30, 2020	—	—
Total number and value of remaining shares with voting rights	—	—
Unexercised portion as of the end of the fiscal year ended November 30, 2020 (%)	—	—
Treasury shares acquired during the period under review	—	—
Unexercised portion as of the date of filing (%)	100.00	100.00

Note: Number of shares acquired through purchasing shares between February 1, 2021 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

(3) Items not based on resolutions of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (shares)	Value (¥ thousand)
Treasury shares acquired during the fiscal year ended November 30, 2020	48	53
Treasury shares acquired during the period under review	69	84

Note: Number of shares acquired through purchasing shares less than one unit between February 1, 2021 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

(4) Status of disposal and ownership of acquired treasury shares

Category	Fiscal year ended November 30, 2020		Period under review	
	Number of shares (shares)	Total processing value (¥ thousand)	Number of shares (shares)	Total processing value (¥ thousand)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	—	—	—	—
Acquired treasury shares that were transferred in association with a merger, share exchange, or company split	—	—	—	—
Other (-)	—	—	—	—
Treasury shares held	1,508,353	—	1,508,422	—

Note: Number of shares acquired through purchasing shares between February 1, 2021 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

3. Dividend policy

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

It is also a basic policy of Tosei to pay a year-end dividend annually, determined by the General Meeting of Shareholders.

Based on the above policy, Tosei decided to pay an annual dividend of ¥19 per share for the fiscal year under review. As a result, the Company's consolidated dividend payout ratio came to 25.0% for the fiscal year ended November 30, 2020.

Tosei plans to use its internal reserves for future business expansion and to strengthen the management quality.

Tosei's articles of incorporation stipulate that "Tosei may pay interim dividends to shareholders with the record date of May 31 each year, upon a resolution by the Board of Directors."

The dividend for the fiscal year ended November 30, 2020 is as follows:

Resolution date	Total amount of dividends (¥ thousand)	Dividends per share (¥)
Ordinary General Meeting of Shareholders held on Feb. 25, 2021	896,333	19

4. Status of corporate governance, etc.

(1) Status of corporate governance

1) Fundamental Approach toward Corporate Governance

Our Group aspires to be a valuable contributor to all kinds of our stakeholders in the society, including the shareholders, the employees, the business partners and others, by promptly and appropriately responding to the changes in the business environment and continuing operational activities which enable the Group to achieve a sound growth. For this purpose, the Group has placed the greatest importance on enhancement of corporate governance, and in particular, “fully cultivating compliance mind”, “enhancing risk management” and “conducting timely disclosure” as three key initiatives. Furthermore, the Group is determined to make efforts in a unified manner, from the top management down to each employee of the Group companies, led by the Board of Directors, to develop an internal control system as required by the Companies Act and the Financial Instruments and Exchange Act, as well as to set up a system which is redible to investors, as a financial instruments business operator.

2) Summary of the Corporate Governance System and the reasons for Adopting the Current Corporate Governance System

The Company has set up the Board of Directors and the Audit & Supervisory Board. While appointing from outside its outside directors and all of its Audit & Supervisory Board Members, it has also adopted an executive officer system, for the purpose of operating its businesses with high transparency.

All of the Audit & Supervisory Board Members of the Company have been outside Audit & Supervisory Board Members since the time of listing. The Audit & Supervisory Board Members have always performed audits of the business management of the Company from the viewpoints of ensuring and increasing the Company's corporate value and the common interests of its shareholders. The Company further enhances its supervisory function over its management by inviting outside directors to the Board of Directors. On the management side, the Company has employed the executive officer system so as to achieve optimal distribution of decision-making functions and operational duties, as well as encouraging the delegation of authority in executing the businesses, in an attempt to strengthen its corporate governance.

In addition, the Company has established the Nomination and Compensation Advisory Committee as an optional advisory body of the Board of Directors. And the Corporate Governance Meeting, consisting of directors and full-time audit & supervisory board members, is held monthly.

As stated above, the management of the Company and the current system of monitoring and supervision over the management is adequately functioning, and the Company continues to maintain the system currently in place.

Details of each body related to corporate governance established by the Company are as stated in “3) Other matters related to corporate governance” “(a) Basic explanation of internal company bodies.”

Constituent members of each body is as follows (“◎” indicates chairman).

Post	Name	Operation of Board of Directors	Auditing by audit & supervisory board	Nomination and Compensation Advisory Committee	Corporate governance meeting
President and CEO	Seiichiro Yamaguchi	◎		○	◎
Director Senior Executive Officer	Noboru Hirao	○		○	○
Director Managing Executive Officer	Masaaki Watanabe	○			○
Director Managing Executive Officer	Hideki Nakanishi	○			○
Director Executive officer	Shunsuke Yamaguchi	○			○
Director Executive officer	Hitoshi Oshima	○			○
Outside director	Kenichi Shohtoku	○		◎	
Outside director	Hiroyuki Kobayashi	○		○	
Outside director	Masao Yamanaka	○		○	
Audit & Supervisory Board Member (full-time))	Hitoshi Yagi	○	◎	○	○
Audit & Supervisory Board Member (full-time))	Toshinori Kuroda	○	○		○
Audit & Supervisory Board Member	Tatsuki Nagano	○	○		
Audit & Supervisory Board Member	Osamu Doi	○	○		

3) Other matters related to corporate governance

(a) Basic explanation of internal company bodies

i) Operation of Board of Directors

The Board of Directors is composed of nine directors, three of whom are outside directors. Based on the regulations of the Board of Directors, regular meetings of the Board of Directors are held every month and extraordinary meetings are held as necessary. As the highest management decision-making body, the Board of Directors makes resolutions on management policy and important matters, and also supervises the execution of duties by directors.

ii) Nomination and Compensation Advisory Committee

The Company has set up the Nomination and Compensation Advisory Committee as a voluntary advisory body for the Board of Directors for the purpose of ensuring appropriateness and transparency of each resolution of the Board of Directors on the process of selecting candidates proposed in a proposal for appointing directors that is submitted to the General Meeting of Shareholders and on allocation of remuneration, etc. for individual directors. The constituent members of the committee include a representative director (one person), a full-time director (one person) , outside director(s) (independent director(s), one person or more), and a full-time audit & supervisory board member (outside audit & supervisory board member, one person). An outside director who is a committee member will assume the office of the chair of committee. The Board of Directors will develop an appropriate governance system to respond to the mandate of shareholders and investors with full respect for the content of reports made by this committee.

iii) Auditing by audit & supervisory board members

The Company employs an audit & supervisory board member system with two full-time audit & supervisory board members and two part-time audit & supervisory board members. All of these four persons are outside audit & supervisory board members. Meetings of the Audit & Supervisory Board are held once a month in principle. At these meetings, the four audit & supervisory board members deliberate on necessary items and work to share information by having the full-time audit & supervisory board members report to the part-time audit & supervisory board members about their auditing activities.

The Audit & Supervisory Board Members also attend the meeting of the Board of Directors, the pre-Board meeting discussion where matters to be resolved at the meeting of the Board of Directors are confirmed in advance, as well as the management meeting (constituted by the Executive Officers appointed by the President and CEO), which is an advisory body regarding matters to be approved by the President and CEO.

The auditing activities of audit & supervisory board members are performed in accordance with a yearly audit plan. Since such activities are carried out in coordination with the accounting auditor and the Internal Audit Department, an efficient and effective auditing system is in place. Furthermore, the full-time audit & supervisory board members work to gain an understanding of the status of the execution of business by holding regular interviews with each director and those in charge of each division.

iv) Executive officer system

The Company employs an executive officer system, under which executive officers appointed by the Board of Directors execute and exert control over the Company's business in accordance with internal regulations, in addition to matters designated by resolution of the Board of Directors.

In addition, the President and CEO holds management meetings twice a month in principle, at which advance consultation is provided for important decisions to be made by the President and CEO, and matters for resolution at the Board of Directors are deliberated in advance.

v) Corporate governance meeting

With the aim of continuous strengthening of corporate governance, the Company holds corporate governance meetings consisting of full-time directors and full-time audit & supervisory board members once a month in principle.

At the meeting, directors and audit & supervisory board members check and deliberate over corporate governance concerns for improving corporate value and items regarding internal control. Where necessary, they receive advice from outside experts such as corporate attorneys and certified public accountants.

vi) Internal auditing

The Internal Audit Department under the direct supervision of the President and CEO perform audits of the entire Group in accordance with a yearly plan. If they discover inadequacies, they demand improvements by providing recommendations for their rectification to the audited division. Audits are performed effectively, with matters for rectification handled through enhanced follow-up work including deliberation with the audited division and the provision of detailed guidance.

vii) Information disclosure

The Company not only prepares documents, etc. in accordance with laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act and discloses information based on the regulations set forth by securities exchanges, but also provides timely and appropriate corporate information to stakeholders including shareholders and investors by such means as investor relations activities and its website.

viii) Auditing by accounting auditor

The Company's accounting auditor is Shinsoh Audit Corporation, with which the Company has concluded an auditing agreement in accordance with the Companies Act and the Financial Instruments and Exchange Act. On this basis, Shinsoh Audit Corporation performs audits in accordance with a yearly audit plan.

(b) Status of internal company bodies and establishment of internal control system

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).

i) Basic policies for compliance with laws and regulations

- Ensure awareness among all officers and employees regarding compliance with laws and regulations.
- Strengthen the checking function for breaches of laws and regulations.
- Promptly react to any breach of laws and regulations, and make timely and appropriate information disclosure concerning such breaches.
- Eliminate any association with anti-social forces.

ii) Basic policies for storing and managing information

- Ensure awareness among all officers and employees regarding the importance of storing and managing information.
- Enhance the measures for preventing the leakage of material information.

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

iii) Basic policies for management of risk of loss

- Ensure thorough understanding, analysis and assessment of risks that may hinder the continuation of the Company's corporate activities.
- Enhance monitoring of risk management.
- Establish a proper internal reporting system for any occurrences and/or signs that contingencies may occur.
- Promptly react to any occurrence of contingencies and/or accidents, and make timely and appropriate disclosure of information regarding such occurrences.

iv) Basic policies for efficient execution of duties by Directors

- Carry out deliberation and decision-making on the important management matters of the Company, in an efficient, timely and appropriate manner.
- Eliminate excessive pursuit of efficiencies in management plans and/or business targets and make balanced decisions considering the soundness of the Company.
- Establish a system to allow appropriate and efficient execution of business in accordance with the rules on delegation of operational authority.

v) Basic policies for properness of the operations of the entire Group

- 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.
- 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.
- Formulate a medium-term management plan, business plans 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.
- 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.
- Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.
- Eliminate wrongful acts and/or irregular transactions using the Group.

vi) Basic policies for systems to ensure effective audits by Audit & Supervisory Board Members

- 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.
- Ensure the independence of the aforementioned members of staff from Directors and obtain prior consent from the Audit & Supervisory Board for personnel affairs matters for the said members of staff such as transfers and performance evaluations.
- 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.
- 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.
- 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.
- Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
- 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.
- 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.
- 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 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 division, 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 Member (as observer)

i) Compliance with laws and regulations, etc.

・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.

・Strengthen the checking function for breaches of laws and regulations

As well as monitoring and supervising by three Outside Directors 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 once 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, while conducting business audits of the Company's business by full-time corporate auditors, the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members.

・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 prescribed internal rules regarding the establishment of a crisis management office headed by the President and CEO, and timely and appropriate information disclosure in the event that serious breaches and/or incidents occur.

・Eliminate any association with anti-social forces

The Company continues screening of counterparties at 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.

ii) Storing and managing information

・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 strengthen penalties for those who violate the rules, we have continued to educate and inculcate rules for the handling of important information.
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.

・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.

・Thorough understanding of important information and timely disclosure information, prevention of false descriptions

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.

iii) Management of risk of loss

・Ensure 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.

・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.

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

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

・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.

iv) Efficient execution of duties by Directors

・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 every month) and pre-Board meeting discussions to confer beforehand on matters to be resolved by the Board of Directors.

・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, 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 the Board of Directors make final decisions as the consolidated budget.
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.

・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.

v) Properness of operations of entire Group

・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.

・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.

・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.

・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.

・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.

・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.

vi) System to ensure effective auditing by Audit & Supervisory Board Members

・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.

・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.

・ 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.

・ 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.

・ 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.

・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.

・Allowance for 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.

・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.

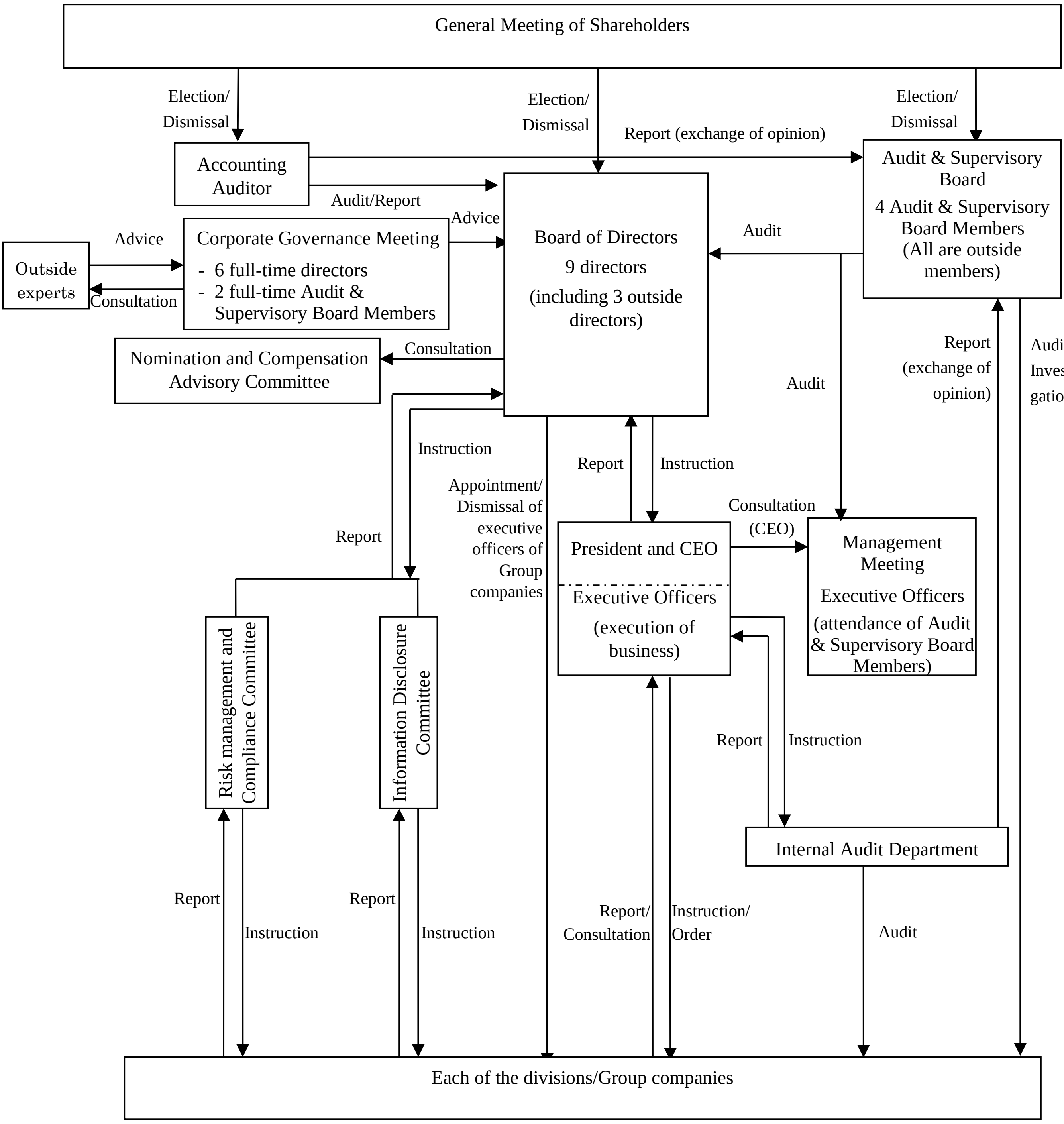
・Cooperation by Directors aiming to enhance audits by Audit & Supervisory Board Members across the entire Group

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.

(c) Basic explanation of internal company bodies

To achieve centralized and cross-sectional risk management and compliance promotion of the Group, the Company established the Risk Compliance Committee. This committee examines the company-wide policy, annual plan and other matters for risk management and compliance and assesses the status of risk management and compliance of each group company.

(d) The following is an outline of the Company's corporate governance and internal management system



4) Basic policy regarding the persons who control decisions on the Company's financial and business policies

The Company has established a basic policy on how to control the decisions on financial and business policies, and the details (items listed in Article 118, item 3 of the Enforcement Regulations of the Companies Act) are as follows.

(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) Special measures to realize the basic policy

In accordance with the expiration of the period of the previous medium-term management plan, 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.

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.

(c) Overview of measures to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate under the basic policy

The plan is a measure to prevent decisions on the Company’s financial and business policies (hereafter "business plan") from being controlled by persons deemed inappropriate under the above basic policy, and its objective is to ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The plan stipulates procedures that must be followed in any cases of purchase, etc. of share certificates, etc. of the Company ((i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. *(*kabuken *tou hoyuu wariai)*of a holder *(hoyuusha)* totaling at least 20% of the share certificates, etc. issued by the company; or (ii) a tender offer *(koukai kaitsuke)* that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. and the ownership ratio of share certificates, etc. of a person having a special relationship totaling at least 20% of the share certificates, etc. issued by the Company; or (iii) any similar action to (i) or (ii) above)

In practical terms, the acquirer must provide the Company a statement of undertaking (acquirer's statement) and an acquisition document that includes essential information, etc. before making the acquisition, etc.

Upon receiving these documents, the independent committee, while obtaining independent expert advice, will conduct its consideration of the acquisition terms; collection of information on materials such as the management plans and business plans of the acquirer and the Company's board of directors and comparison thereof; consideration of any alternative plan presented by the Company's board of directors, and the like; and discussion and negotiation with the acquirer. The Company will disclose information in a timely manner.

When (i) the acquisition is not in compliance with the procedures prescribed in the plan or (ii) it threatens to cause obvious harm to the corporate value of the Company, and, in turn, to the common interests of shareholders, (iii) and it is reasonable to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the acquirer to exercise the rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer. The Company's board of directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of the gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. If the procedures for the plan have commenced, the acquirer must not effect an acquisition until and unless the Company's board of directors resolves not to trigger the plan. The effective period of the plan expires at the conclusion of the ordinary general meeting of shareholders for 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 Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

(d) Decisions by the Company's board of directors regarding specific measures and reasons therefor

Company's board of directors deems that the new medium-term management plan and other measures such as the efforts to enhance the corporate value and the strengthening of corporate governance were established as specific measures to continuously and sustainably enhance the corporate value of the Company and, in turn, the common interests of its shareholders, and that these are truly in accordance with the basic policy, not detrimental to the common interests of the Company's shareholders and not for the purpose of maintaining the positions of the Company's corporate officers.

In addition, the Company's board of directors deems that the plan is not detrimental to the common interests of the Company's shareholders, not for the purpose of maintaining the positions of the Company's corporate officers, and in accordance with the basic policy based on the following reasoning: approval from the general meeting of shareholders must be obtained for its renewal; its effective period is stipulated as a maximum of three years and it can be abolished at any time by the resolution of the Company's board of directors; an independent committee, which is composed of members who are independent from the management of the Company, has been established; in the event that the plan's countermeasures are triggered, the Company must obtain a resolution by the independent committee when making a decision for triggering the countermeasures in the plan, and the plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

5) Outline of contracts for limitation of liability

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into contracts with its outside directors and outside audit & supervisory board members that limits their liability for damages provided for in Article 423, paragraph 1 of the same Act. The maximum amount of liability for damages under the contract will be the amount prescribed by laws and regulations.

6) Stipulations of Articles of Incorporation regarding number, etc. of directors

(a) Number of directors

The Company stipulates in its Articles of Incorporation that the number of directors of the Company shall be 12 persons or less.

(b) Requirements for resolutions regarding election and dismissals of directors

The Company stipulates in its Articles of Incorporation that resolutions for election of directors shall be decided by a majority of the voting rights of the shareholders present at a meeting where the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present, and shall not be effected by cumulative voting

Regarding resolutions for dismissal of directors, the Company stipulates in its Articles of Incorporation that they shall be decided by two thirds or more of the voting rights of the shareholders present at a meeting where the shareholders holding a majority of the voting rights of the shareholders who are entitled to exercise their voting rights are present.

7) In cases where the Company stipulates that items for resolution at General Meeting of Shareholders may be resolved by Board of Directors, applicable items and reasons for the stipulation

(a) Acquisition of treasury shares

The Company stipulates in its Articles of Incorporation that the Company can acquire its treasury shares by resolution of the Board of Directors as provided for in Article 165, paragraph 2 of the Companies Act. The purpose of this is for the Company to acquire its own shares in market transactions and the like in order to enable the execution of a flexible capital policy in response to changes in the management environment.

(b) Exemption from liability of directors and audit & supervisory board members

The Company stipulates in its Articles of Incorporation that directors and audit & supervisory board members (including those who previously held these positions) may be exempted from liability to the extent provided for in laws and regulations in relation to acts provided for in Article 423, paragraph 1 of the Companies Act by resolution of the Board of Directors, as provided for in Article 426, paragraph 1 of the same Act. The purpose of this is to provide an environment in which directors and audit & supervisory board members can make use of their abilities sufficiently and fulfill the roles expected of them when carrying out their duties.

(c) Payment of interim dividend

The Company stipulates in its Articles of Incorporation that an interim dividend may be paid with a record date of May 31 each year by resolution of the Board of Directors as provided for in Article 454, paragraph 5 of the Companies Act, in order to flexibly distribute profits to shareholders.

8) Requirements for special resolutions of General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that special resolutions of the General Meeting of Shareholders provided for in Article 309, paragraph 2 of the Companies Act shall be passed by two thirds or more of the voting rights of the shareholders present at the meeting where the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The purpose of this is to operate the General Meeting of Shareholders smoothly by easing the quorum required for special resolutions at the General Meeting of Shareholders.

1) List of officers

13 male officers and 0 female officers (Percentage of women in officers: 0%)

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
President and CEO	Seiichiro Yamaguchi	Jan. 5, 1961	Apr. 1983 Entered Mitsui Real Estate Sales Co., Ltd. (the predecessor of Mitsui Fudosan Realty Co., Ltd.) Apr. 1986 Entered Tosei-Shoji Corporation Aug. 1990 Director of the Company Jun. 1994 President and Representative Director of the Company (current position) Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.) Jul. 2004 President and CEO of the Company (current position)	Note 3	12,885,500
CFO and Senior Executive Officer of Administrative Division; in charge of Human Resource Department	Noboru Hirano	Oct. 17, 1959	Apr. 1982 Entered Kokubu & Co., Ltd. Apr. 1991 Entered Tosei-Shoji Corporation May 1995 Director of Tosei-Shoji Corporation Mar. 2001 General Manager of Finance and Accounting Department of the Company Oct. 2002 Managing Director of the Company Jul. 2004 Director and Managing Executive Officer of the Company Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co., Ltd. Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.) Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company Dec. 2007 Representative Director of Tosei Revival Investment Co., Ltd. Jan. 2013 Representative Director of Tosei Revival Investment Co., Ltd. Feb. 2013 Director of Tosei Community Co., Ltd. Feb. 2016 Director of Tosei Asset Advisors, Inc. (current position) Apr. 2017 CFO, Senior Executive Officer of Administrative Division and in charge of Human Resource Department of the Company (current position) Feb. 2020 Representative Director of Tosei Revival Investment Co., Ltd. (current position)	Note 3	60,000
Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 5	Masaaki Watanabe	Jan. 25, 1963	Apr. 1986 Entered Towa Real Estate Development Co., Ltd. (the predecessor of Mitsubishi Jisho Residence Co., Ltd.) Dec. 1990 Entered Heisei Kouhatsu Co., Ltd. Apr. 1993 Seconded to Ohmon Club Co., Ltd. Feb. 1998 Entered the Company Aug. 2006 Director of Tosei Revival Investment Co., Ltd. Mar. 2008 Executive Officer of the Company Jun. 2015 Managing Executive Officer, Deputy Chief of Business Division of the Company Feb. 2018 Director and Managing Executive Officer, Deputy Chief of Business Division of the Company Dec. 2019 Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 5 of the Company (current position) Feb. 2021 Director of Tosei Community Co., Ltd. (current position)	Note 3	36,100

Post	Name	Date of birth	Career summary		Term of office	Number of shares held (Share)
Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 4	Hideki Nakanishi	Jun. 17, 1967	Apr. 1990 Jun. 1999 Oct. 2001 Apr. 2006 Mar. 2013 Feb. 2016 Mar. 2017 Feb. 2018 Dec. 2020	Entered the Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Entered Gold Crest Co., Ltd. Entered HUSER Corporation Entered the Company Executive Officer of the Company Director of Tosei Revival Investment Co., Ltd. (current position) Managing Executive Officer of the Company Director and Managing Executive Officer of the Company Director and Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 4 of the Company (current position)	Note 3	20,100
Director, Executive Officer in charge of Finance Department, General Affairs Department and DX Promotion Department	Shunsuke Yamaguchi	Jul. 26, 1964	Apr. 1988 Dec. 2001 Oct. 2006 Aug. 2007 Oct. 2007 Apr. 2008 Dec. 2012 Mar. 2013 Feb. 2018 Jun. 2020	Joined TOKYU CONSTRUCTION CO., LTD. Joined the Company Director in charge of Administrative Division of Fusion Partner, Inc. Entered the Company Director of Tosei Asset Management, Corp. Director of Tosei Asset Advisors, Inc. Director of NAI Tosei Japan, Inc. Executive Officer of the Company Audit & Supervisory Board Member of Tosei Asset Advisors, Inc. (current position) Director and Executive Officer in charge of Finance Department, General Affairs Department and DX promotion Department of the Company (current position)	Note 3	7,200
Director, Executive Officer in charge of Asset Solution Department 1 and Crowd Funding Department	Hitoshi Oshima	Nov. 19, 1964	Apr. 1988 Jun. 2006 Jan. 2009 Dec. 2011 Jul. 2012 Mar. 2014 Dec. 2016 Mar. 2017 Dec. 2020	Joined The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.) Joined J-REP Co. Ltd. (the predecessor of Goodman Japan Limited) Joined NATIONAL STUDENTS INFORMATION CENTER CO., LTD. Entered the Company Director of Tosei Revival Investment Co., Ltd. Managing Director of Tosei Community Co., Ltd. Director of Tosei Community Co., Ltd. Executive Officer of the Company Direcotr, Executive Officer in charge of Asset Solution Department 1 and Crowd Funding Department of the Company (current position)	Note 3	1,700

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Director	Kenichi Shohtoku	Jan. 20, 1971	Oct. 1995 Entered Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Sep. 1999 Transferred to Arthur Andersen & Co., Kuala Lumpur Office Sep. 2002 Entered SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Nov. 2003 Representative Director of SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) (current position) Sep. 2005 Director of O-RID GLOBAL BPO PTE. LTD. Dec. 2010 Outside Auditor of ROKI TECHNO CO., LTD Feb. 2012 Director of the Company (current position) Jan. 2013 Outside Auditor of ROKI GROUP HOLDINGS CO., LTD. (current position)	Note 3	–
Director	Hiroyuki Kobayashi	Mar. 3, 1965	Apr. 1987 Entered the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.) Apr. 2002 Seconded to Mizuho Securities Co., Ltd. Apr. 2003 Head of Advisory Department No.4 of Mizuho Securities Co., Ltd. Jul. 2005 Entered Sofia, Inc. Apr. 2006 Vice President and Director of Sofia, Inc. Dec. 2006 Entered Mizuho Securities Co., Ltd. Jun. 2008 Deputy General Manager, General Planning Department of Mizuho Securities Co., Ltd. Dec. 2011 General Manager, Corporate Communications Department of Mizuho Securities Co., Ltd. Apr. 2014 Senior Corporate Officer attached to Retail Division of Mizuho Securities Co., Ltd. Apr. 2015 Head of Wealth Management Division, Retail 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 Executive Vice President of PRECIOUS SQARE .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 Co., Ltd. (current position)	Note 3	–
Director	Masao Yamanaka	Jul. 24,1962	Apr. 1997 Registered as attorney-at-law (Daini Tokyo Bar Association) Jan. 2003 Established Yamanaka Law Office Apr. 2008 Entered 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) Feb. 2020 Director of the Company (current position)	Note 3	–
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	Oct. 2, 1958	Apr. 1982 Entered The Nippon Credit Bank, Ltd. (the predecessor of Aozora Bank, Ltd.) Apr. 1999 Head of Real Estate Research Office, Sales Strategy Division II of The Nippon Credit Bank, Ltd. Aug. 2000 Senior Manager of Real Estate Finance Group, Investment Banks Division of The Nippon Credit Bank, Ltd. Aug. 2004 Joint General Manager of Corporate Business Division V of The Nippon Credit Bank, Ltd. Aug. 2009 Joint General Manager of Human Resources Division of The Nippon Credit Bank, Ltd. Oct. 2011 Joint General Manager of Internal Audit Division of The Nippon Credit Bank, Ltd. Feb. 2019 Full-time Audit & Supervisory Board Member of the Company (current position) Feb. 2020 Audit & Supervisory Board Member of Tosei Hotel Management Co., Ltd. (current position) Audit & Supervisory Board Member of Tosei Hotel Service Co., Ltd.	Note 4	–

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Audit & Supervisory Board Member (full-time)	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 Feb. 2021 Full-time Audit & Supervisory Board Member of the Company (current position)	Note 5	–
Audit & Supervisory Board Member	Tatsuki Nagano	Apr. 16, 1959	Apr. 1983 Entered The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Jul. 1995 Financial Planning Chief of Corporate Planning Dept. at headquarters of The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Jul. 2000 Management Director of RG Asset Management PTE. LTD. Jul. 2004 Director of Reference Group Holdings Ltd. Aug. 2004 Representative Director of RG Asset Management Co., Ltd. Feb. 2012 Audit & Supervisory Board Member of the Company (current position) Apr. 2013 Director of RG Asset Management Services Limited (BVI) Apr. 2013 Director and Representative Partner of RG Asset Management Services Limited (HK) Jun. 2014 Outside Director of System Location, Co., Ltd. (current position) Feb. 2016 Managing Director, Head of the Management Headquarters of All Nippon Asset Management, Co., Ltd. Jun. 2019 Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. (current position)	Note 5	–
Audit & Supervisory Board Member	Osamu Doi	Feb. 23, 1964	Apr. 1987 Entered The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.) Jul. 1993 Transferred to Nikko Europe PLC Feb. 1998 Returned to The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.) Apr. 2002 Entered FinTech Global Incorporated Oct. 2005 Senior Vice President of Structured Finance Division of FinTech Global Incorporated Oct. 2006 Deputy Head of Investment Banking Division of FinTech Global Incorporated Apr. 2007 Head of Investment Department of FinTech Global Incorporated Feb. 2013 Audit & Supervisory Board Member of the Company (current position)	Note 5	–
Total					13,010,600

Notes: 1. Kenichi Shohtoku, Hiroyuki Kobayashi and Masao Yamanaka are outside directors.
2. Hitoshi Yagi , Toshinori Kuroda, Tatsuki Nagano and Osamu Doi are outside audit & supervisory board members.
3. Two-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 26, 2020.
4. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 27, 2019.
5. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 25, 2021.

2) Status of Outside Directors

The Company has three outside directors and four outside audit & supervisory board members.

With regard to the nomination of Outside Directors, the Company elects persons who can oversee the management from an independent and objective standpoint and be expected to provide constructive advice and recommendations to Directors concurrently serving as Executive Officers. In nominating Outside Audit & Supervisory Board Members, the Company elects persons who can be deemed to audit the operation of the Board of Directors and execution of duties of Directors from an independent standpoint, and who are expected to provide constructive advice and recommendations for the increase of corporate value with their knowledge.

Standards for independence 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 sales (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.

Outside Director Kenichi Shohtoku has contributed to strengthening the governance system of the Company and the Group by providing valuable advice on various occasions including the Board of Directors meetings and liaison meetings with the Audit & Supervisory Board Members of the Company since assuming office of Outside Director of the Company in February 2012, while leading SCS Global Consulting (S) Pte Ltd as a representative director. In addition, with respect to the overseas activities, etc. of the Company, the Company benefits from his suggestions based on the expertise cultivated through his abundant overseas experiences mainly in consulting as a certified public accountant. In view of the growth of the Group in terms of management over the medium- to long-term, including overseas expansion, the Company deems that his reappointment will contribute to the interests of the Group, and in turn, common interests of its shareholders.

Outside Director Hiroyuki Kobayashi has abundant experience at a bank and a securities company which is extremely valuable in ensuring the effectiveness of its Board of Directors, as the Company operates the financial instruments business. In addition, as the Company is promoting a group expansion strategy, it may expect objective monitoring and proposals can be expected from him as Outside Director from the aspect of group governance drawing on his expertise in organization development and M&As. In light of the mid- to long-term growth of the management of the Group, we determined that electing him would contribute to the interests of the Group and, turn, the common interests of its shareholders.

Outside Director Masao Yamanaka has provided many companies with legal advice and involved in multiple large-scale corporate legal affairs. He possesses abundant experience as an attorney-at-law and a high level of expertise on corporate legal affairs. In addition, as the Company is promoting a group expansion strategy, it may expect objective monitoring and proposals can be expected from him as Outside Director from the aspect of group governance. In light of the mid- to long-term growth of the management of the Group, we determined that electing him would contribute to the interests of the Group and, turn, the common interests of its shareholders.

Full-time outside audit & supervisory board member Hitoshi Yagi has abundant experience and specialist knowledge acquired at audit divisions of major financial institutions As such, the Company believes that he can fulfill his responsibilities of securing adequacy and appropriateness in the Company's management.

Full-time outside audit & supervisory board member Toshinori Kuroda has abundant experience including overseas assignment primarily at a major financial institution as well as specialist knowledge and the Company believes that he can perform a role in ensuring the adequacy and appropriateness of the Company's management.

Outside audit & supervisory board member Tatsuki Nagano has experience at major financial institutions and continues to be involved in corporate management and the Company believes that he can utilize his extensive experience and a high level of expert insight to perform a role in ensuring the adequacy and appropriateness of the Company's management.

The Company believes that Osamu Doi can perform a role in ensuring the adequacy and appropriateness of the Company's management based on his abundant experience at major securities companies and at companies that conduct investment banking activities as well as his specialist knowledge.

3) Audits and supervision by Outside Directors and Outside Audit & Supervisory Board Members, coordination between internal audits, audits by Audit & Supervisory Board Members and accounting audits, and their relationship with the Internal Control Division

Through attendance at important meetings such as the Board of Directors' meetings, Outside Directors and Outside Audit & Supervisory Board Members receive, directly and indirectly, reports concerning internal audits, audits by Audit & Supervisory Board Members, accounting audits, and internal control. They enhance the effectiveness of supervision and audits by exchanging information as appropriate and expressing opinions as necessary.

(3) Status of audit

1) Status of Auditing by audit & supervisory board members

The Company employs an audit & supervisory board member system with two full-time audit & supervisory board members and two part-time audit & supervisory board members. All of these four persons are outside audit & supervisory board members. Meetings of the Audit & Supervisory Board are held once a month in principle. At these meetings, the four audit & supervisory board members deliberate on necessary items and work to share information by having the full-time audit & supervisory board members report to the part-time audit & supervisory board members about their auditing activities.

The Audit & Supervisory Board Members also attend the meeting of the Board of Directors, the pre-Board meeting discussion where matters to be resolved at the meeting of the Board of Directors are confirmed in advance, as well as the management meeting (constituted by the Executive Officers appointed by the President and CEO), which is an advisory body regarding matters to be approved by the President and CEO.

(a)Number of Meetings of the Audit & Supervisory Board and attendance of each audit members

The Audit & Supervisory Board met 16 times during the fiscal year, and attendance status of each Audit members are as follows. The average time required for each meeting of the Board of Corporate Auditors is approximately one hour, and the total number of proposals per year is 56.

Name	Number of times held	Attendance	Attendance rate	Note
Hitoshi Yagi	16	16	100%	Chairman of the Board of Corporate Auditors after September 1, 2020
Yutaka Kitamura	16	16	100%	Chairman of the Board of Corporate Auditors until August 31, 2020
Tatsuki Nagano	16	14	88%	
Osamu Doi	16	16	100%	

(b) Main matters considered by the Audit & Supervisory Board

In the fiscal year under review, the main matters considered by the Audit & Supervisory Board included decisions on the audit policy, audit plan, auditing method, and the division of duties among the Audit & Supervisory Board Members, evaluation and consent to the reappointment of the accounting auditor, receiving briefings on the yearly audit plan from the audit corporation and consenting to audit fees for the audit corporation, consent to performance evaluations for staff assisting in audit work and corporate performance evaluations, and information sharing based on monthly activity reports by full-time Audit & Supervisory Board Members.

(c) Audit activities by full-time Audit & Supervisory Board Members

In the fiscal year under review, full-time Audit & Supervisory Board Members engaged in audit activities in accordance with the yearly audit plan by attending the board of directors and management meetings, audits during the period, accounting audits, audits of internal controls related to financial control, etc. We carry out year-end audits, etc., and we have built an efficient and effective audit system in collaboration with the Accounting Auditor and the Internal Audit Department. In addition, full-time Audit & Supervisory Board Members inspect important documents, conduct business audits throughout the year, hold regular meetings with the president, vice president, directors and department heads, and corporate for the purpose of strengthening corporate governance in the group. Attending the Corporate governance meeting, attending the Risk Management and Compliance Committee's meeting to realize centralized and cross-cutting risk management and compliance promotion of the Group, etc., we strive to understand the status of business execution.

In addition to the same as Audit & Supervisory Board Members, part-time audit & supervisory board members audit management policies by attending Board of Directors' meeting and Management meetings, mid-term audits, accounting audits, internal controls related to financial control, term-end audits, etc. From a neutral standpoint based on independence and human influence, we objectively express our audit opinions and ask straightforward questions and opinions mainly at the Board of Directors' meeting and the Management meetings. In addition, if necessary, part-time audit & supervisory board members are present at various meetings attended by full-time Audit & Supervisory Board Members.

2) Status of The Internal Audit Department

The Internal Audit Department under the direct supervision of the President and CEO conducts audits of the entire Group based on the annual plan with a system of six members. If they discover inadequacies, they demand improvements by providing recommendations for their rectification to the audited division. Audits are performed effectively, with matters for rectification handled through enhanced follow-up work including deliberation with the audited division and the provision of detailed guidance.

3) Coordination between Audit & Supervisory Board Members and accounting auditor

In the course of their auditing activities in accordance with the yearly audit plan, the Audit & Supervisory Board Members regularly exchange opinions with the accounting auditor quarterly, as well as receive reports on the results of audits by the accounting auditor. In addition, the accounting auditor coordinates closely with Audit & Supervisory Board Members by such means as observing their audits as appropriate, and holding biannual opinion-exchanging meetings concerning threefold auditing with the accounting auditor and the General Manager of the Internal Audit Department.

4) Coordination between Audit & Supervisory Board Members and the Internal Audit Department

The Audit & Supervisory Board Members hold a regular exchange of opinions session with the Internal Audit Department once every two months, and the full-time Audit & Supervisory Board Members receive reports every other week on all aspects of internal auditing work from the General Manager of the Internal Audit Department, and exchange opinions.
In addition, the six members of the Internal Audit Department also serve as assistant employees of the Audit & Supervisory Board Members. And members of the Internal Audit Department attend hearings conducted by full-time Audit & Supervisory Board Members with the accounting auditor and heads of divisions as assistants to the Audit & Supervisory Board Members. Through such activities, the Company works to enhance the quality of the Internal Audit Department and to carry out efficient internal audits.

5) Accounting audits

(a) Name of audit corporation

Shinsoh Audit Corporation

(b) Years of continuous auditing

12 years

(c) Names of certified public accountants who executed audit

Designated and Engagement Partner	Sakashita Takayuki
Designated and Engagement Partner	Atushi Iijima

(d) Breakdown of assistants in auditing operations

Certified public accountants: 6 persons
Other: 3 persons

(e) Audit certificate examination system

Shinsoh Audit Corporation, the accounting auditor of the Company, conducts audits related to audit plans and audit opinion formation for all audit operations. The audit plan and the audit work related to the formation of audit opinions are conducted by the staff in charge of audit (review partner) other than the business execution staff related to the audit work. The audit is conducted for all audit operations from audit planning to audit opinion formation. The staff in charge of auditing is in charge of the operation of auditing related to auditing work for audit planning and audit opinion formation.

(f) Method and reasons for selecting the audit corporation

The Audit & Supervisory Board selects an audit corporation in accordance with the selection criteria established by the Audit & Supervisory Board (Selection Criteria for Candidates for Accounting Auditor). The selection is based on consideration of the appropriateness of factors such as the specific audit plan and audit fees proposed by the audit corporation, and confirmation of any conflicts with Article 340, paragraph 1 of the Companies Act, after evaluation of the audit corporation's independence and reliability, and whether the auditing system meets to the Company's criteria in terms of audit quality standards and the scale and characteristics of the Company's business.

(g) Evaluation of the audit corporation by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board evaluates the audit corporation each fiscal year, in accordance with the Evaluation Criteria for the Accounting Auditor established by the Audit & Supervisory Board. The evaluation is based on hearings conducted into the opinions of relevant departments in the Tosei Group, as well as reports received as appropriate from the accounting auditor on quality control systems, independence, the audit plan, overviews of audit results and other matters.

6) Audit fees

(a) Audit fees paid to certified public accountants, etc.

Classification	Fiscal year ended Nov. 30, 2019		Fiscal year ended Nov. 30, 2020	
	Fees for audit attestation services (¥ thousand)	Fees for non-audit services (¥ thousand)	Fees for audit attestation services (¥ thousand)	Fees for non-audit services (¥ thousand)
Filing company	37,500	–	39,000	–
Consolidated subsidiaries	7,000	–	11,800	–
Total	44,500	–	50,800	–

(b) Fees to Shinsoh Audit Corporation, which belongs to the same network as the Company's accounting auditor (excluding (a))

None

(c) Other important fees of Audit

None

(d) Policy for determining audit fees

The Company decides on the audit fees paid to certified public accountants, etc. upon comprehensive consideration of factors including the audit quality based on the Company's size and the nature of its business activities, and the number of audit days based on the audit plan, after discussion with the certified public accountants, etc., and subject to the consent of the Audit & Supervisory Board.

(e) Reasons for consent by the Audit & Supervisory Board to fees for the accounting auditor

The Audit & Supervisory Board consents to fees for the accounting auditor after confirmation and consideration of matters including the content of the audit plan developed by the accounting auditor, status of the accounting auditor's performance of duties, historical trends in audit fees, and the basis used to calculate estimates of audit fees etc., based on the Practical Guidelines for Coordination with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association (a Public Interest Incorporated Association).

(4) Remuneration, etc. of officers

1) The policy on determining the amount of remuneration for officers or the method of calculation

(a) Authority to determine policies concerning the amount, composition, and amount of remuneration for directors

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.
And the number of directors is stipulated in the Articles of Incorporation to be no more than 12. Remuneration for full-time Directors consists of monetary remuneration, comprising a "fixed salary"

which is scaled according to duties, “performance evaluation remuneration” which is based on the achievement of individual goals such as the performance of each full-time Director, and “Directors’ bonuses” which are linked to consolidated profit before tax, and “stock options” which are aimed to increase the desire and motivation to contribute to the medium- to long-term enhancement of corporate value.
Due to the emphasis on their supervisory function from a standpoint independent of the execution of business, Outside Directors’ remuneration is composed of a “fixed salary” and “stock options” only. No “performance evaluation remuneration” or “Directors’ bonuses” are paid to Outside Directors.
The Representative Director drafts proposals for each Director’s remuneration, which are discussed by the Nomination and Compensation Advisory Committee, before being decided by resolution of the Board of Directors.

“Fixed salary”
On the basis of comparisons with the results of surveys of Directors’ remuneration at listed companies, conducted by external specialist agencies, and surveys of the levels of Directors’ remuneration at the Company’s competitors, conducted by the Company, as well as comparison with the highest amounts of remuneration paid to employees of the Company, the Company has established fixed salary scaling guidelines, based on Directors’ duties and posts held by Directors concurrently serving as Executive Officers. Remuneration for each individual Director is discussed by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.

“Performance-linked remuneration” (performance evaluation remuneration and Bonus)
The “performance evaluation remuneration” for full-time Directors is based on their individual achievement of single-year performance targets. A “standard evaluation remuneration amount” equal to 33% of the fixed salary is paid monthly together with the fixed salary, and where there is an adjustment based on the achievement of performance targets (of between +55% and -50% of the standard evaluation remuneration), this will be paid as a lump sum together with Directors’ bonuses after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.
“Directors’ bonuses,” which are linked to single-year consolidated profit before tax, are calculated by multiplying the fixed salary per annum by a factor, which is the sum of a predetermined factor based on the level of profit before tax, and an extra factor where the single-year target profit before tax has been achieved. This is paid as a lump sum after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.
The ratio of fixed salary to performance-linked remuneration (comprising performance evaluation remuneration and Directors’ bonuses) is kept at around 60:40. The ratio for the fiscal year under review (the 71th term) is 61:39.

“Reasons for selecting consolidated profit before tax as the index for Directors’ bonuses, and consolidated profit before tax targets and results in recent fiscal years”
As directors of a listed company, engaged in consolidated management, the Company’s Directors are charged with the important tasks of maintaining and increasing the level of consolidated profit before tax, and achieving the consolidated profit before tax targets each fiscal year. For these reasons, consolidated profit before tax is used to index Directors’ bonuses.
Remuneration for each individual Director is discussed by the Nomination and Compensation Advisory Committee, evaluates the level of contribution to governance of the Company and the Group as a whole, achievement of the department in charge, and maintenance / improvement of consolidated management indicators (ROE, stock price, etc.), before being decided by the Board of Directors.

(Consolidated profit before tax targets and results in recent fiscal years)

Profit before tax (consolidated)	69th term Fiscal year ended Nov. 30, 2018	70th term Fiscal year ended Nov. 30, 2019	71th term Fiscal year ended Nov. 30, 2020
Targets	¥10.0 billion	¥11.2 billion	¥13.0 billion
Results	¥10.1 billion	¥12.0 billion	¥5.9 billion

“Stock options”
In order to practice corporate management with a focus on enhancing corporate value over the medium- to long-term, the President and Representative Director drafts proposals for the number of stock options to be granted to each Director, based on the Director’s duties as well as posts held concurrently by the Director as Executive Officer, for each medium-term management plan. These proposals are examined by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.

A fixed number of stock options are granted to Outside Directors, considering the importance of their management monitoring and supervisory function aimed at enhancing corporate value.

(b) Authority to determine policies concerning the amount, composition, and amount of remuneration for Audit & Supervisory Board Members

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.
And the number of Audit & Supervisory Board Members is stipulated in the Articles of Incorporation to be no more than 6.
Audit & Supervisory Board Members, considering their role, are remunerated with a fixed salary only.
Remuneration for each Audit & Supervisory Board Member is decided through discussion of the Audit & Supervisory Board, within the limits of the maximum total amount.

2) Total amount of remuneration, etc. by position, total amount by type of remuneration, etc., and number of recipients at the Company

Position	Total amount of remuneration, etc. (¥ thousand)	Total amount by type of remuneration, etc. (¥ thousand)				Number of recipients (Person)
		Basic remuneration	performance evaluation remuneration	Bonus	Stock Option	
Directors (excluding outside directors)	222,030	135,648	44,836	36,486	5,060	7
Audit & supervisory board members (excluding outside audit & supervisory board members)	—	—	—	—	—	—
Outside officers	49,076	48,840	—	—	236	7

3) Total amount of consolidated remuneration, etc. by each officer of the Company

Since there is no officer for whom the total amount of remuneration, etc. is ¥100 million or more, this information is omitted.

4) Significant items among employee salaries paid to officers concurrently serving as employees

None

5) Activities of the Board of Directors and the Nomination and Compensation Advisory Committee of the submitting company in the process of determining the remuneration of directors for the current fiscal year

Date	Meeting name	Discussion / Resolution
Feb. 20 2020	the Nomination and Compensation Advisory Committee	･Review of the basic policy on remuneration (remuneration guidelines) for full-time Directors ･ Monthly fixed salary for nine (9) Directors for the 12 months from March 2020 to February 2021
Feb. 26 2020	the Board of Directors	･ Establishment of the basic policy on Basic remuneration and performance evaluation remuneration (remuneration guidelines) for full-time Directors ･Remuneration distribution for directors
Dec. 22 2020	the Nomination and Compensation Advisory Committee	･ Performance evaluation for each of the full-time Directors for the 71th term (the fiscal year ended November 30, 2020) ･ Payment of Directors' bonuses for the 71th term (the fiscal year ended November 30, 2020)
Dec. 25 2020	the Board of Directors	･ Performance evaluation for each of the full-time Directors for the 71th term (the fiscal year ended November 30, 2020) ･ Payment of Directors' bonuses to full-time Directors for the 71th term (the fiscal year ended November 30, 2020)

(5) Status of stocks held

1) Criteria and concept on stocks for investment

The Company classifies investment shares as follows.

(a) Investment shares held for pure investment purposes

Shares that are held purely for the purposes of gaining from changes in share prices and receiving dividends

(b) Investment shares held for purposes other than pure investment

(i) Strategic shareholdings

Shares of other listed companies held strategically, in order to maintain and strengthen business relationships within the Tosei Group

(ii) Shares other than those in (a) above

2) Stocks for investment held for any purposes other than pure investment purpose

(a) Shareholding policy, methods used to validate shareholding rationale, and validation of the appropriateness of each shareholding by the Board of Directors

The Company may hold investment shares for purposes other than pure investment where it determines that this is useful for the business of the Tosei Group, after validating the medium- to long-term economic rationale, including the balance of risk and return.

In addition, where some or all of these shares are strategic shareholdings, the Board of Directors examines the details of the shareholding each fiscal year, including the appropriateness of the holding purpose and whether the benefits and risks of the shareholding are commensurate with the cost of capital, validates the appropriateness of the shareholding, and discloses the results of this validation. The Company has no strategic shareholdings as of the end of the fiscal year under review.

(b) Number of stocks and total of the amounts recorded in the balance sheet

	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)
Unlisted stocks	3	48,200
Stocks other than unlisted stocks	—	—

(Stocks of which the number increased during the current fiscal year)

None

(Stocks of which the number decreased during the current fiscal year)

None

(c) Information regarding the number of stocks, amounts recorded in the balance sheet, etc., by each stock for “Specific stocks for investment” and “Stocks subject to deemed holding”

None

3) Stocks for investment held solely for investment purpose

Category	Fiscal year ended Nov. 30, 2020		Fiscal year ended Nov. 30, 2019	
	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)
Unlisted stocks	1	107,250	―	―
Stocks other than unlisted stocks	1	101,752	1	110,600

Category	Fiscal year ended Nov. 30, 2020		
	Total amount of dividends received (¥ thousand)	Total amount of sales gain or loss (¥ thousand)	Total amount of gain or loss on valuation (¥ thousand)
Unlisted stocks	51,204	―	―
Stocks other than unlisted stocks	790	―	―

4) Changes in the purpose of holding investment shares from net investment to non-net investment during the current fiscal year

None

5) Changes in the purpose of holding investment shares from non-net investment purposes to net investment purposes during the current fiscal year

None

V. Accounting

1. Preparation policy of the consolidated and non-consolidated financial statements

(1) Tosei prepares consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS), an international accounting standard designated in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) Tosei prepares non-consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter referred to as the “Ordinance on Financial Statements, etc.”).
The Company falls under the category of companies allowed to file specified financial statements and prepares financial statements pursuant to Article 127 of the Ordinance on Financial Statements, etc.

2. Audit attestation

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year ended November 30, 2020(from December 1, 2019 to November 30, 2020) and the non-consolidated financial statements for the fiscal year ended November 30, 2020 (from December 1, 2019 to November 30, 2020) were audited by Shinsoh Audit Corporation.

3. Special efforts made to ensure the properness of consolidated financial statements, etc. and establishment of a system that enables appropriate preparation of consolidated financial statements, etc. under IFRS

Tosei is carrying out the special efforts in order to ensure the properness of consolidated financial statements, etc.

(1) For the purpose of both ensuring that Tosei has an appropriate grasp of the contents of Accounting Standards and related regulations, and establishing a system by which it is possible to ensure appropriateness of consolidated financial statements, etc., Tosei became a member of the Financial Accounting Standards Foundation, and is kept informed of changes in Accounting Standards and other events. In addition, Tosei participates in seminars and other events hosted by the foundation.

(2) In applying IFRS, Tosei receives press releases and standards published by the International Accounting Standards Board as needed to keep itself informed of latest standards. In addition, for accounting procedures in accordance with IFRS, it strives to make the Group conduct uniform accounting treatments by making accounting policies in accordance with IFRS well known to group companies.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated statements of financial position

(¥ thousand)

	Notes	As of November 30, 2019	As of November 30, 2020
Assets			
Current assets			
Cash and cash equivalents	7	31,998,929	37,039,600
Trade and other receivables	9	3,747,782	3,192,248
Inventories	10	73,573,663	65,416,925
Other current assets	11	13,247	15,298
Total current assets		109,333,622	105,664,073
Non-current assets			
Property, plant and equipment	12	8,671,827	23,495,129
Investment properties	13	37,868,133	26,987,387
Intangible assets	14	87,760	209,663
Trade and other receivables	9	1,102,277	779,470
Other financial assets	8	4,252,691	3,972,309
Deferred tax assets	15	573,729	572,454
Other non-current assets	11	4,014	4,014
Total non-current assets		52,560,434	56,020,429
Total assets		161,894,056	161,684,503
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	16	6,448,300	5,466,127
Borrowings	17	16,291,247	11,794,730
Current income tax liabilities	15	1,658,894	925,671
Provisions	18	655,782	600,264
Total current liabilities		25,054,225	18,786,795
Non-current liabilities			
Trade and other payables	16	3,761,836	3,649,593
Borrowings	17	73,552,021	79,192,778
Retirement benefits obligations	19	521,213	546,421
Provisions	18	6,971	7,129
Deferred Tax Liabilities	15	691,288	532,260
Total non-current liabilities		78,533,331	83,928,183
Total Liabilities		103,587,557	102,714,978
Equity			
Share capital	20	6,579,844	6,624,890
Capital reserves	20	6,575,240	6,627,004
Retained earnings		45,839,423	47,442,372
Treasury shares	20	(1,000,037)	(1,500,055)
Other components of equity	20	312,028	(224,688)
Total equity attributable to owners of parent		58,306,499	58,969,524
Total equity		58,306,499	58,969,524
Total liabilities and equity		161,894,056	161,684,503

2) Consolidated statements of comprehensive income

(¥ thousand)

	Notes	Year ended Nov. 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)	Year ended Nov. 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)
Revenue	22	60,727,704	63,939,781
Cost of revenue	23	39,886,774	49,140,392
Gross profit		20,840,930	14,799,389
Selling, general and administrative expenses	24, 25	8,203,399	8,401,897
Other income	26	64,335	116,612
Other expenses	27	10,907	86,349
Operating profit		12,690,958	6,427,755
Finance income	28	154,466	268,037
Finance costs	28	755,329	794,479
Profit before tax		12,090,095	5,901,313
Income tax expense	15	3,643,062	2,298,973
Profit for the year		8,447,032	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	29	242,805	(518,325)
Remeasurements of defined benefit pension plans	29	5,423	(758)
Total items that will not be reclassified to net profit or loss		248,228	(519,083)
Items that may be reclassified to net profit or loss			
Exchange differences on translation of foreign operations	29	(7,352)	(6,818)
Net change in fair values of cash flow hedges	29	(2,961)	(11,573)
Total items that may be reclassified to net profit or loss		(10,313)	(18,391)
Other comprehensive income for the year, net of tax		237,914	(537,474)
Total comprehensive income for the year		8,684,946	3,064,864
Profit attributable to:			
Owners of parent		8,447,032	3,602,339
Total comprehensive income attributable to:			
Owners of parent		8,684,946	3,064,864
Profit for the year attributable to owners of parent			
Basic earnings per share (¥)	30	176.40	76.05
Diluted earnings per share (¥)	30	175.83	75.94

3) Consolidated statements of changes in equity

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

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at Dec. 1, 2018		6,554,139	6,544,924	38,843,309	(128)	79,537	52,021,782	52,021,782
Profit for the year				8,447,032			8,447,032	8,447,032
Other comprehensive income						237,914	237,914	237,914
Total comprehensive income for the year		—	—	8,447,032	—	237,914	8,684,946	8,684,946
Amount of transactions with owners								
Issuance of new shares	20	25,704	14,506				40,210	40,210
Purchase of treasury shares	20		(2,711)		(999,909)		(1,002,620)	(1,002,620)
Dividends from surplus	21			(1,456,340)			(1,456,340)	(1,456,340)
Share-based payment	35		18,521				18,521	18,521
Transfer from other components of equity to retained earnings				5,423		(5,423)	—	—
Balance at Nov. 30, 2019		6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499	58,306,499

Year ended November 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at Dec. 1, 2019		6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499	58,306,499
Profit for the year				3,602,339			3,602,339	3,602,339
Other comprehensive income						(537,474)	(537,474)	(537,474)
Total comprehensive income for the year		—	—	3,602,339	—	(537,474)	3,064,864	3,064,864
Amount of transactions with owners								
Issuance of new shares	20	45,046	25,441				70,487	70,487
Purchase of treasury shares	20		(7,232)		(500,018)		(507,250)	(507,250)
Dividends from surplus	21			(1,998,632)			(1,998,632)	(1,998,632)
Share-based payment	35		33,556				33,556	33,556
Transfer from other components of equity to retained earnings				(758)		758	—	—
Balance at Nov. 30, 2020		6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524	58,969,524

4) Consolidated statements of cash flows

(¥ thousand)

	Notes	Year ended Nov. 30, 2019 (Dec. 1, 2018 – Nov. 30, 2019)	Year ended Nov. 30, 2020 (Dec. 1, 2019 – Nov. 30, 2020)
Cash flows from operating activities			
Profit before tax		12,090,095	5,901,313
Depreciation expense		873,834	1,216,143
Increase (decrease) in provisions and retirement benefits obligations		106,807	(50,935)
Interest and dividends income		(154,466)	(268,037)
Interest expenses		755,329	794,479
Decrease (increase) in trade and other receivables		(765,621)	868,417
Decrease (increase) in inventories		(15,378,771)	8,154,542
Increase (decrease) in trade and other payables		2,445,402	(1,195,944)
Other, net		2,079	25,011
Subtotal		(25,311)	15,444,989
Interest and dividends income received		102,094	204,067
Income taxes paid		(3,876,675)	(3,139,264)
Net cash from (used in) operating activities		(3,799,892)	12,509,792
Cash flows from investing activities			
Proceeds from withdrawal of time deposits		20,000	–
Purchase of property, plant and equipment		(62,602)	(161,265)
Purchase of investment properties		(344,209)	(3,377,878)
Purchase of intangible assets		(29,351)	(157,791)
Payments of loans receivable		(126,730)	–
Collection of loans receivable		17,034	109,857
Purchase of other financial assets		(1,811,147)	(972,660)
Collection of other financial assets		26,426	505,046
Proceeds from sales of other financial assets		151,509	–
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		536	–
Other, net		25,413	614
Net cash from (used in) investing activities		(2,133,119)	(4,054,077)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	36	1,738,500	(1,796,000)
Proceeds from non-current borrowings	36	41,630,045	33,963,165
Repayments of non-current borrowings	36	(28,572,289)	(31,925,799)
Repayments of lease liabilities	36	(5,349)	(255,438)
Proceeds from issuance of new shares		40,060	70,232
Cash dividends paid		(1,455,240)	(1,997,202)
Purchase of treasury shares		(999,909)	(500,018)
Interest expenses paid		(963,688)	(973,315)
Net cash from (used in) financing activities		11,412,129	(3,414,376)
Net increase (decrease) in cash and cash equivalents		5,479,116	5,041,339
Cash and cash equivalents at beginning of year	7	26,520,569	31,998,929
Effect of exchange rate change on cash and cash equivalents		(757)	(668)
Cash and cash equivalents at end of year	7	31,998,929	37,039,600

[Notes to 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 and its consolidated subsidiaries (hereinafter collectively, the “Group”) engage 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 “6. 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 Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), its consolidated financial statements have been prepared in accordance with IFRS under the provision of Article 93 of the said ordinance.

These consolidated financial statements were approved by Seiichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on February 19, 2021.

(2) Basis of measurement

The 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

The 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

The significant accounting policies applied to these consolidated financial statements are consistent throughout all the periods presented therein.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities that the Group controls. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost.

Intra-Group balances of payables and receivables and intra-Group transactions, as well as unrealized gains or losses arising from intra-Group transactions, are offset in preparing the consolidated financial statements.

2) Business combinations

The Group has applied the acquisition method to account for business combinations. The considerations transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred, and the equity interests issued by the Group. The considerations transferred also include the fair value of assets or liabilities arising from contingent consideration arrangements. Acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired, the liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. If the considerations transferred are greater than the fair value of identifiable assets acquired and liabilities assumed, then goodwill will be measured, if lower, negative goodwill will be measured. The measured goodwill or negative goodwill is promptly recognized in profit or loss.

(2) Foreign currency translation

1) 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.

2) Overseas operations

Assets and liabilities of overseas 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 overseas operations are recognized in other comprehensive income. On the disposal of the interest in an overseas 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.

(3) Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

1) 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.

(ｉ) 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.

(ⅱ) 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.

(ⅲ) 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.

(ⅳ) Derivatives and hedge

The Group uses derivatives (interest rate swaps) to hedge interest rate risk. In addition, Derivatives and hedging are described in "(17) Derivatives and hedging".

2) 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.

(5) 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.

(6) Property, plant and equipment

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

Property, plant and equipment are stated at the book value 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 have been located, and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets.

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the book value 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 expenditure 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.

(7) Intangible assets

The Group applies the cost model in measurement of intangible assets. An intangible asset is stated at the book value , which is calculated as cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures on intangible assets that have already been recognized are included in the book value 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.

1) 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.

(8) 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.

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.

(9) 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 stated at the book value 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 fixtures	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.

(10) Impairment of non-financial assets

The Group assesses whether there is any indication of impairment on a quarterly basis for the book value of non-financial assets except inventories and deferred tax assets. If any such indication exists, the recoverable amount of the asset or each cash-generating unit (CGU) to which the asset belongs is estimated.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of the asset (or CGU) falls below the book value, the book value of the asset (or CGU) is reduced to the recoverable amount.

Difference between the book value and the recoverable amount is recognized as impairment losses in profit or loss.

When impairment losses are reversed after recognition, the book value of the asset (or CGU) is increased to the revised estimated recoverable amount. However, the reversal of the impairment loss does not exceed the book value that would have been determined had no impairment loss been recognized for the asset (or CGU).

The reversal of impairment losses is immediately recognized through profit or loss.

(11) Trade and other payables

Trade and other payables are obligations to pay for goods or services provided to the Group in the ordinary course of business and others. Trade and other payables are classified as current liabilities when such payables are due within one year or within the normal operating cycle, and otherwise, presented as non-current liabilities.

Trade and other payables are initially recognized at fair value and subsequently at amortized cost calculated using the effective interest method.

(12) Borrowings

Borrowings consist of borrowings and lease liabilities. Borrowings are initially recognized at fair value and subsequently recognized at amortized cost. Difference between net proceeds net of transaction costs and the repayment amount is recognized in profit or loss over the borrowing period using the effective interest method.

Borrowings are recorded as current liabilities unless the Group has unconditional rights to reschedule the repayment for at least 12 months after the reporting date.

(13) Provisions

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

(14) Employment benefits

1) 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.

2) 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.

3) 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.

(15) Revenue

1) 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.

2) Operating lease of rental properties

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

3) Interest income

Interest income is recognized using the effective interest method.

4) Dividend income

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

(16) Borrowing costs

The Group adds borrowing costs directly attributable to acquisition, construction or production of assets that require a reasonable period of time before intended use or sale becomes possible, or qualifying assets, to the cost of these assets until the intended use or sale of the assets effectively becomes possible.

Borrowing costs other than those described above are recognized in profit or loss in the period during which these costs are incurred using the effective interest method.

(17) Derivatives and hedges

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.

(18) Income tax expense

Income tax expense is comprised of current taxes and deferred taxes and recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either directly in equity or in other comprehensive income.

Current taxes are computed by adding adjustments of the amount of expected tax payment or expected refund up to the previous fiscal year to the estimated amount of expected tax payment or expected refund on taxable profits or losses in the current year which are multiplied by tax rates that are enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are recognized for temporary differences between accounting book value of assets and liabilities and amounts of them for tax purpose. For differences associated with initial recognition of assets or liabilities in transactions that have no effect on any profit and loss for both accounting and tax purposes, except for business combinations, deferred tax assets and liabilities are not recognized. Deferred tax assets and liabilities are measured using the tax rate that is expected to be applied when the temporary differences will reverse under the law which is in effect or substantially in effect at the reporting date. Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized only for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is highly probable that taxable profit will be available against which they can be utilized in the future. Deferred tax assets are reviewed at each reporting date, and reduced by the amount that is highly unlikely to be utilized.

(19) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to ordinary shares. Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent, by the weighted average number of ordinary shares issued during the reporting period that is adjusted by the number of treasury shares.

(20) Segment information

Operating segments are components of the Group that engage in business activities from which the Group may earn revenues and incur expenses. These are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resources to be allocated to the segments and assess their performances.

Reportable segments are determined on the basis of the operating segments.

Segment information includes items that are directly attributable to the segments and items that are allocated to the segments on a reasonable basis.

(21) Share-based compensation

The Company employs a stock option system as an equity-settled share-based compensation system. Stock options, which are estimated at fair value as of the grant date, are recognized as expenses in the consolidated statements of comprehensive income over the vesting period with the number of stock options that are expected to be eventually vested taken into account, and the same amount is recognized as an increase in equity in the consolidated statement of financial position.

(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.

(Changes in presentation)

“Repayments of lease liabilities ,” which were included in “other, net” under cash flows from financing activities in the previous fiscal year, have increased in monetary significance in the fiscal year under review, and are therefore presented as an separate item. To reflect this change in presentation method, ¥(5,349) thousand included in “other, net” under cash flows from financing activities for the previous fiscal year has been reclassified as “Repayments of lease liabilities ” of ¥(5,349) thousand.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the 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, income and expenses. However, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change affects.

The management's judgments and estimates that have a significant impact on amounts in the consolidated financial statements are as follows:

- Measurement of inventories (Note 10)
- Impairment of non-financial assets (Notes 12, 13 and 14)
- Estimates of useful life and residual value of property, plant and equipment, investment properties and intangible assets (Notes 12, 13 and 14)
- Recoverability of deferred tax assets (Note 15)
- Accounting treatment for and valuation of provisions (Note 18)
- Employee benefits (Note 19)
- Measurement of the fair value of financial instruments (Note 31)
- Leases (Note 32)
- Share-based compensation (Note 35)
- Measurement of the fair value of assets acquired or liabilities assumed arising from contingencies in business combinations (Note 37)

Impact of COVID-19 on Tosei's Financial Results

During the fiscal year under review, due to the spread of COVID-19 and the resulting stagnation of economic activity, it is expected that the liquidity of income-generationg real estate will decline and the risk premium will rise. The Group reviewed the valuation of real estate for sale and real estate for sale in process such as hotels and commercial facilities etc. As a result, the Group recorded loss on valuation of inventories (cost of revenue) of ¥7,784,858 thousand. Regarding the impact in each segment, valuation loss amounted to ¥1,531,892 thousand in the Revitalization Business and ¥6,252,966 thousand in the Development Business.

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

5. New standards not yet applied

None of the standards and interpretation guidelines that have been newly established or revised by the approval date of the consolidated financial statements have a significant impact.

6. Segment information

(1) Summary of reportable segments

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

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

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

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

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

Fiscal year ended November 30, 2019
(December 1, 2018 – November 30, 2019)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	31,012,030	14,346,337	5,944,112	3,752,874	4,586,096	1,086,252	—	60,727,704
Intersegment revenue	—	—	49,689	20,327	1,302,183	3,160	(1,375,361)	—
Total	31,012,030	14,346,337	5,993,801	3,773,202	5,888,280	1,089,412	(1,375,361)	60,727,704
Segment profit	7,754,590	1,528,591	2,367,533	2,365,114	504,043	99,620	(1,928,535)	12,690,958
Finance income/costs, net								(600,863)
Profit before tax								12,090,095
Other items								
Depreciation expense	—	5,293	551,109	10,787	27,060	232,527	47,055	873,834

Notes: 1. The details of adjustment are as follows:
(1) Adjustment of segment profit of ¥(1,928,535) thousand includes eliminations of intersegment transactions of ¥945 thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(1,929,480) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.
(2) Adjustment of depreciation of ¥47,055 thousand consists of corporate expenses that are not attributable to any particular reportable segment.

Fiscal year ended November 30, 2020
(December 1, 2019 – November 30, 2020)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	31,154,223	16,171,200	5,810,503	5,676,067	4,690,599	437,186	—	63,939,781
Intersegment revenue	—	—	48,775	82,945	1,237,956	1,480	(1,371,157)	—
Total	31,154,223	16,171,200	5,859,279	5,759,012	5,928,555	438,666	(1,371,157)	63,939,781
Segment profit or loss	5,596,952	(3,743,396)	2,319,539	4,193,437	667,650	(673,151)	(1,933,276)	6,427,755
Finance income/costs, net								(526,442)
Profit before tax								5,901,313
Other items								
Depreciation expense	—	13,492	779,033	23,612	63,301	272,707	63,996	1,216,143

Notes: 1. The details of adjustment are as follows:
(1) Adjustment of segment profit of ¥(1,933,276) thousand includes eliminations of intersegment transactions of ¥43,103 thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(1,976,379) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.
(2) Adjustment of depreciation of ¥63,996 thousand consists of corporate expenses that are not attributable to any particular reportable segment.
2. Segment profit is adjusted to operating profit in the consolidated statements of comprehensive income.

(3) Income from principal products and services

This information is omitted since similar information is disclosed in “(2) Method for calculating revenue, profit or loss and other items by reportable segment.”

(4) Information by geographical area

This information is omitted since the amount of non-current assets located in Japan and revenue from external customers in Japan account for large portions of non-current assets and total revenue, respectively.

(5) Information on major customers

Fiscal year ended November 30, 2019
(December 1, 2018 – November 30, 2019)

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	8,969,028	Revitalization Business, Fund and Consulting Business, Property Management Business

Fiscal year ended November 30, 2020
(December 1, 2019 – November 30, 2020)

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	7,385,129	Revitalization Business, Fund and Consulting Business, Property Management Business

7. Cash and cash equivalents

Components of cash and cash equivalents are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30,2020
Cash and deposits	31,998,929	37,039,600
Total	31,998,929	37,039,600

8. Other financial assets

Components of other financial assets are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Shares	163,283	251,929
Investment trust beneficiary certificate	3,651,885	3,334,877
Investments in investment limited partnerships	413,530	363,148
Other	23,992	22,354
Total	4,252,691	3,972,309
Non-current assets	4,252,691	3,972,309

9. Trade and other receivables

Components of trade and other receivables are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Trade notes and accounts receivable	2,106,441	1,415,283
Short-term loans receivable	22,847	84
Other accounts receivable	396,342	930,903
Prepaid expenses	385,429	356,041
Current advances to suppliers	235,402	186,737
Long-term loans receivable	89,838	2,743
Deposits and guarantee money	755,235	562,946
Claims provable in bankruptcy, claims provable in rehabilitation and other	24,661	4,199
Other	859,740	518,031
Allowance for credit losses	(25,878)	(5,252)
Total	4,850,060	3,971,718
Current assets	3,747,782	3,192,248
Non-current assets	1,102,277	779,470

The amount net of allowance for credit losses is presented in the consolidated statement of financial position.

10. Inventories

Components of inventories are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Real estate for sale	45,469,765	47,167,556
Real estate for sale in process	28,103,898	18,249,369
Total	73,573,663	65,416,925
Inventories scheduled to be sold after 12 months	32,524,058	31,817,196

Inventories recognized as expenses in the previous fiscal year and the fiscal year under review were ¥33,217,594 thousand and ¥42,771,126 thousand, respectively.

Inventories recorded at fair value net of selling expenses at the end of the previous fiscal year and the fiscal year under review were ¥2,968,144 thousand and ¥20,387,921 thousand, respectively.

Of the Group’s inventory balance, ¥69,803,910 thousand and ¥62,202,017 thousand were pledged as collateral on borrowings as of November 30, 2019 and 2020, respectively.

The above figures include real estate for sale and real estate for sale in process to be sold after 12 months after respective fiscal years. However, since these properties are held within the normal operating cycle, they are included in inventories.

Borrowing costs capitalized in the previous fiscal year and the fiscal year under review were ¥158,372 thousand and ¥181,421 thousand, respectively.

Components of expenses for inventories recognized as loss on valuation are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Loss on valuation	(400,879)	(7,784,858)
Reversal of loss on valuation	—	257,112

11. Other assets

Components of other assets are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Raw materials	358	1,116
Supplies	12,889	14,182
Membership	4,014	4,014
Total	17,261	19,313

Current assets	13,247	15,298
Non-current assets	4,014	4,014

12. Property, plant and equipment

Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of property, plant and equipment are as follows:

(¥ thousand)

	Buildings and structures	Land	Other	Total
Acquisition cost				
Balance as of December 1, 2018	4,264,872	4,835,287	295,601	9,395,760
Acquisition	31,141	—	58,218	89,359
Sales or disposal	(222)	—	(9,698)	(9,920)
Balance as of November 30, 2019	4,295,791	4,835,287	344,121	9,475,200
Impact of changes in accounting policy	—	—	154,467	154,467
Balance as of December 1, 2019	4,295,791	4,835,287	498,588	9,629,667
Acquisition	68,556	—	320,014	388,571
Sales or disposal	(18,297)	—	(41,959)	(60,256)
Transfer	8,755,349	6,393,257	255,131	15,403,738
Other	—	—	(83,530)	(83,530)
Balance as of November 30, 2020	13,101,399	11,228,544	948,245	25,278,189
Accumulated depreciation and impairment loss				
Balance as of December 1, 2018	417,378	—	192,512	609,891
Depreciation expense	157,048	—	46,353	203,402
Sales or disposal	(222)	—	(9,698)	(9,920)
Balance as of November 30, 2019	574,205	—	229,167	803,372
Depreciation expense	168,482	—	110,622	279,104
Sales or disposal	(13,035)	—	(41,706)	(54,741)
Transfer	753,073	—	2,250	755,323
Balance as of November 30, 2020	1,482,726	—	300,334	1,783,060
Book value				
As of December 1, 2018	3,847,493	4,835,287	103,088	8,785,869
As of November 30, 2019	3,721,586	4,835,287	114,953	8,671,827
As of November 30, 2020	11,618,673	11,228,544	647,910	23,495,129

The book value of leased assets under finance leases as of November 30, 2019 was ¥25,778 thousand. The book value of Right-of-use assets as of November 30, 2020 was ¥63,076 thousand.

The Impact of the change in accounting policy is the increase in Right-of-use assets due to the application of IFRS 16 “Leases”. Of the changes in the Acquisition of “Other” for the fiscal year ended November 30, 2020, the other ¥ (83,530) thousand is the decrease due to the change in the estimate of the Right-of-use asset.

Transfer for the fiscal year ended November 30, 2020, transfers from inventories and investment properties. In addition, the transfer “Others” as of November 30, 2020 include construction in progress of ¥213,820 thousand, respectively.

Of the balance of the Group’s property, plant and equipment as of November 30, 2019 and 2020, ¥8,475,298 thousand and ¥22,683,693 thousand were pledged as collateral on loans payable, respectively.

Depreciation expense is recorded in “Cost of revenue” and “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

13. Investment properties

(1) Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of investment properties are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Acquisition cost		
Balance at beginning of period	35,533,780	40,279,263
Impact of changes in accounting policy	—	1,052,331
Balance at the beginning of the period after reflecting the impact of changes in accounting policy	35,533,780	41,331,595
Acquisition	351,710	3,498,289
Sales or disposal	—	(85,354)
Transfer	4,393,773	(15,567,692)
Balance at end of period	40,279,263	29,176,837
Accumulated depreciation and impairment loss		
Balance at beginning of period	1,780,932	2,411,130
Depreciation expense	640,875	886,446
Sales or disposal	—	(85,354)
Transfer	(10,677)	(1,022,771)
Balance at end of period	2,411,130	2,189,450
Book value at end of period	37,868,133	26,987,387

Depreciation expense is recorded in “Cost of revenue” in the consolidated statement of comprehensive income.

The Impact of the change in accounting policy is the increase in Right-of-use assets due to the application of IFRS 16 “Leases”.

Transfers for the fiscal year ended November 30, 2019, was mainly transfers from inventories. In addition, the transfer for the fiscal year ended November 30, 2020, was a transfer to inventories and property, plant and equipment.

Of the balance of the Group’s investment properties as of November 30, 2019 and 2020, ¥28,266,898 thousand and ¥20,780,262 thousand were pledged as collateral on loans payable, respectively.

(2) Fair value

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Fair value	63,338,068	42,027,744
Rent income from investment properties	3,254,465	2,884,012
Direct expenses incidental to rent income	2,127,704	1,311,647

The fair value of investment properties was internally calculated in accordance with the Real Estate Appraisal Standards.

14. Intangible assets

Changes in acquisition cost, accumulated amortization and accumulated impairment loss of intangible assets are as follows:

(¥ thousand)

	Software	Software in progress	Other	Total
Acquisition cost				
Balance as of December 1, 2018	158,026	27,115	1,889	187,030
Acquisition	4,246	25,105	0	29,351
Sales or disposal	7,115	(7,115)	—	—
Balance as of November 30, 2019	169,387	45,105	1,889	216,381
Acquisition	8,917	149,500	—	158,417
Transfer	192,055	(192,055)	—	—
Sales or disposal	(103,599)	—	—	(103,599)
Balance as of November 30, 2020	266,759	2,550	1,889	271,198
Accumulated amortization and accumulated impairment loss				
Balance as of December 1, 2018	99,064	—	—	99,064
Amortization expense	29,557	—	—	29,557
Balance as of November 30, 2019	128,621	—	—	128,621
Amortization expense	34,234	—	—	34,234
Sales or disposal	(101,321)	—	—	(101,321)
Balance as of November 30, 2020	61,534	—	—	61,534
Book value				
As of December 1, 2018	58,962	27,115	1,889	87,966
As of November 30, 2019	40,766	45,105	1,889	87,760
As of November 30, 2020	205,224	2,550	1,889	209,663

Amortization expense of intangible assets is recorded in “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

15. Deferred taxes and income tax expense

(1) Deferred taxes

Main components of deferred tax assets and liabilities are as follows:

Fiscal year ended November 30, 2019 (December 1, 2018 – November 30, 2019)

(¥ thousand)

	As of December 1, 2018	Recognized through profit or loss	Recognized in other comprehensive income	Others	As of November 30, 2019
Deferred tax assets					
Accrued enterprise taxes, currently not deductible	200,147	(63,937)	—	—	136,210
Estimated expenses, currently not deductible	3,654	(2,395)	—	—	1,258
Unrealized gain from substitute performance	147,998	—	—	—	147,998
Provision for bonuses	179,580	18,464	—	—	198,044
Liability for retirement benefits to employees	167,648	11,984	—	—	179,632
Liability for retirement benefits to key management personnel	4,093	(1,533)	—	—	2,560
Long-term accounts payable-other for directors	160,043	(50,155)	—	—	109,887
Carry-forward of unused tax losses	317,346	111,727	—	—	429,074
Other	108,729	86,335	1,232	—	196,296
Subtotal	1,289,242	110,489	1,232	—	1,400,963
Valuation reserves	(314,436)	(8,721)	—	—	(323,158)
Total	974,805	101,767	1,232	—	1,077,805
Deferred tax liabilities					
Valuation difference on other financial assets	(31,040)	—	(107,158)	—	(138,199)
Reserve for tax purpose reduction entry of non-current assets	—	—	—	(679,277)	(679,277)
Revaluation of fair value arising from assets and liabilities of subsidiaries	(437,378)	59,491	—	—	(377,887)
Total	(468,418)	59,491	(107,158)	(679,277)	(1,195,364)
Deferred tax assets (liabilities), net	506,386	161,258	(105,926)	(679,277)	(117,559)

Fiscal year ended November 30, 2020 (December 1, 2019 – November 30, 2020)

(¥ thousand)

	As of December 1, 2019	Recognized through profit or loss	Recognized in other comprehensive income	Others	As of November 30, 2020
Deferred tax assets					
Accrued enterprise taxes, currently not deductible	136,210	(41,321)	–	–	94,888
Estimated expenses, currently not deductible	1,258	(363)	–	–	895
Loss on valuation of inventories	–	216,696	–	–	216,696
Unrealized gain from substitute performance	147,998	–	–	–	147,998
Provision for bonuses	198,044	(14,387)	–	–	183,657
Liability for retirement benefits to employees	179,632	7,962	–	–	187,595
Liability for retirement benefits to key management personnel	2,560	4,160	–	–	6,720
Long-term accounts payable-other for directors	109,887	(13,658)	–	–	96,229
Carry-forward of unused tax losses	429,074	159,531	–	–	588,605
Valuation difference on other financial assets	–	–	90,556	–	90,556
Other	196,296	(81,745)	5,019	–	119,571
Subtotal	1,400,963	236,874	95,576	–	1,733,415
Valuation reserves	(323,158)	(285,669)	–	–	(608,827)
Total	1,077,805	(48,794)	95,576	–	1,124,587
Deferred tax liabilities					
Valuation difference on other financial assets	(138,199)	–	138,199	–	–
Reserve for tax purpose reduction entry of non-current assets	(679,277)	–	–	–	(679,277)
Revaluation of fair value arising from assets and liabilities of subsidiaries	(377,887)	(27,228)	–	–	(405,115)
Total	(1,195,364)	(27,228)	138,199	–	(1,084,393)
Deferred tax assets (liabilities), net	(117,559)	(76,022)	233,776	–	40,194

In recognizing deferred tax assets, the Group takes into account the possibility that deductible temporary differences or carry-forward of unused tax losses can be utilized for taxable income. In assessing the recoverability of deferred tax assets, the Group considers scheduled reversal of deferred tax liabilities, expected future taxable income and tax planning.

As a result of the assessment of recoverability of deferred tax assets as stated above, the Group has not recognized deferred tax assets for some of deductible temporary differences and carry-forward of unused tax losses. The amounts of deductible temporary differences and deferred tax assets (after tax effected) have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30,2020
Deductible temporary differences	6,724	131,761
Carry-forward of unused tax losses	316,434	477,066
Total	323,158	608,827

The expiry dates of carry-forward of unused tax losses for which deferred tax assets have not been recognized are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
First year	86,344	−
Second year	−	65,811
Third year	65,811	56,606
Fourth year	92,791	79,118
Fifth year or after	677,801	1,177,666
Total	922,747	1,379,202

For taxable temporary differences associated with investments in subsidiaries, as the Company may control their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period, deferred tax liabilities are not recognized. Such taxable temporary differences were ¥7,443,182 thousand and ¥9,164,820 thousand as of November 30, 2019 and 2020, respectively.

(2) Income tax expense

In the previous fiscal year and the fiscal year under review, major income taxes imposed on the Company were corporate tax, inhabitant tax and office tax, and the resulting statutory effective tax rate was 30.62%, respectively. However, overseas subsidiaries are subject to corporate tax and other taxes applicable in their location.

Components of current and deferred tax expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Current tax expense		
Current tax expense on profit for the year	3,126,089	2,219,488
Total current tax expense	3,126,089	2,219,488
Deferred tax expense		
Origination and reversal of temporary differences	516,973	79,484
Total deferred tax expense	516,973	79,484
Income tax expense	3,643,062	2,298,973

Current tax expense includes tax losses used to reduce tax expense for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense in the previous fiscal year and the fiscal year under review are immaterial.

Deferred tax expense includes tax losses for which tax effects were not recognized previously, or benefits arising from temporary differences in past years. The resulting decreases in current tax expense in the previous fiscal year and the fiscal year under review are immaterial.

Reconciliation between income tax expense calculated at the statutory effective tax rate and income tax expense recognized in the consolidated statement of comprehensive income is as follows. The statutory effective tax rate of 30.62% in the previous fiscal year and the fiscal year under review, respectively, were applied.

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Profit before tax	12,090,095	5,901,313
Income tax expense based on the statutory effective tax rate	3,701,987	1,806,982
Adjustments		
Expenses (profits) not deductible permanently	35,778	33,778
Changes in temporary differences, etc. for which deferred tax assets were not recognized	25,389	325,895
Differences in tax rates of subsidiary companies	123,860	114,899
Impact due to consolidation eliminations of the sale of shares of subsidiaries	(240,170)	—
Other	(3,782)	17,417
Income tax expense	3,643,062	2,298,973

16. Trade and other payables

Components of trade and other payables are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Trade notes and accounts payable	1,268,751	1,165,159
Other accounts payable	812,455	868,547
Advances received	2,830,635	2,233,182
Guarantee deposits	3,389,107	3,303,343
Other	1,909,186	1,545,488
Total	10,210,136	9,115,721

Current liabilities	6,448,300	5,466,127
Non-current liabilities	3,761,836	3,649,593

17. Borrowings

Components of borrowings are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020	Average interest rate (%)	Repayment due
Current liabilities				
Current borrowings	1,995,500	199,500	1.12	–
Current portion of non-current borrowings	14,286,638	11,374,808	1.10	–
Lease obligations	9,109	220,422	1.09	–
Total	16,291,247	11,794,730		
Non-current liabilities				
Non-current borrowings	73,533,291	78,482,487	1.02	2021-2047
Lease obligations	18,730	710,291	1.09	2021-2025
Total	73,552,021	79,192,778		

Notes: 1. The average interest rate is a weighted-average coupon rate on the balance at the end of the fiscal year under review.

2. Borrowings at the end of the previous fiscal year and the fiscal year under review include secured debts of ¥89,614,307 thousand and ¥89,294,489 thousand, respectively. Some of inventories, Property, plant and equipment and investment properties have been pledged as collateral.

18. Provisions

Components and changes of provisions are as follows:

Fiscal year ended November 30, 2019 (December 1, 2018 – November 30, 2019)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Provision for loss on rental business	Provision for warranties for completed construction	Total
Balance as of December 1, 2018	551,529	40,829	6,817	1,060	250	600,487
Increase during the fiscal year	608,919	46,402	—	—	210	655,532
Decrease during the fiscal year (specific purposes)	(551,529)	(38,927)	—	(1,060)	—	(591,517)
Decrease during the fiscal year (reversal)	—	(1,901)	—	—	—	(1,901)
Discounted interest costs	—	—	154	—	—	154
Balance as of November 30, 2019	608,919	46,402	6,971	—	460	662,753

Fiscal year ended November 30, 2020 (December 1, 2019 – November 30, 2020)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Provision for warranties for completed construction	Total
Balance as of December 1, 2019	608,919	46,402	6,971	460	662,753
Increase during the fiscal year	554,282	45,632	—	350	600,264
Decrease during the fiscal year (specific purposes)	(608,919)	(39,174)	—	—	(648,093)
Decrease during the fiscal year (reversal)	—	(7,228)	—	(460)	(7,688)
Discounted interest costs	—	—	157	—	157
Balance as of November 30, 2020	554,282	45,632	7,129	350	607,394

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Current liabilities	655,782	600,264
Non-current liabilities	6,971	7,129

As asset retirement obligations, the disposal costs of some investment properties held by the Company, which contain asbestos or polychlorinated biphenyl (PCB) that must be treated in special ways specified by laws and regulations when they are dismantled or removed, are recognized.

These costs are expected to be paid principally after one year or more passed. However, the timing is affected by future business plans and other factors.

Other provisions are expected to be expensed principally in the following fiscal year.

19. Employee benefits

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Liability for retirement benefits to employees	505,157	517,405
Liability for retirement benefits to key management personnel	16,056	29,015
Total	521,213	546,421

(1) Retirement benefits for employees

To cover payments of retirement benefits for employees, the Group has adopted defined benefit plans and defined contribution plans. The amount of benefits is determined based on salary level at the time of retirement, period of service and other factors. Defined benefit plans are exposed to actuarial risks.

1) Defined benefit plans

Components of Liability for retirement benefits to employees

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Defined benefit obligations (with no plan assets)	505,157	517,405
Defined benefit obligations in the consolidated statement of financial position	505,157	517,405

The components of retirement benefit costs recognized in profit or loss are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Current service costs	66,055	70,895
Interest costs	1,975	1,746
Total retirement benefit costs (Note)	68,030	72,641

Note: Retirement benefit costs are recorded in “Selling, general and administrative expenses.”

Changes in the present value of defined benefit plan obligations are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Balance at beginning of period	481,719	505,157
Current service costs	66,055	70,895
Interest costs	1,975	1,746
Benefits paid	(36,776)	(61,165)
Actuarial gains and losses arising from changes in financial assumptions	(7,816)	772
Balance at end of period	505,157	517,405

The weighted average term for the Group's defined benefit obligations in the previous fiscal year and the fiscal year under review is 9.7 years and 9.7 years, respectively.

Major assumptions used in actuarial calculation are as follows:

(%)

	As of November 30, 2019	As of November 30, 2020
Discount rate	0.35	0.53
Rate of salary increase	4.02	4.02

The effects of a change in the discount rate on defined benefit obligations are as follows. This analysis assumes that change factors other than the discount rate are constant.

Negative values represent a decline in defined benefit obligations, while positive values represent an increase in those obligations.

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
0.5% increase in the discount rate	(22,896)	(22,970)
0.5% decrease in the discount rate	24,734	24,786

2) Defined contribution plans

The amount of the entire Group's contributions is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Contributions	37,796	39,893

(2) Retirement benefits to key management personnel

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Balance at beginning of period	11,834	16,056
Provision for the benefits	6,021	14,325
Payment of the benefits	(1,800)	(1,366)
Balance at end of period	16,056	29,015

The above provisions are recorded at the amount the Group companies would be required to pay based on their internal regulations if all eligible such personnel retired at the end of the period.

It is deemed difficult to make actuarial estimates and discount liability for retirement benefits to key management personnel highly reliably since the number of key management personnel subject to the Group's retirement benefits is small and their age distribution is biased.

The Group believes the foregoing amount that would be required to pay at the end of the period is the best estimate of liability for retirement benefits to key management personnel.

20. Equity and other components of equity

(1) Share capital and capital reserves

	Total number of shares authorized (shares)	Total number of shares issued (shares)	Share capital (¥ thousand)	Capital reserves (¥ thousand)
Balance as of December 1, 2018	150,000,000	48,544,800	6,554,139	6,544,924
Change	—	50,500	25,704	30,315
Balance as of November 30, 2019	150,000,000	48,595,300	6,579,844	6,575,240
Change	—	88,500	45,046	51,764
Balance as of November 30, 2020	150,000,000	48,683,800	6,624,890	6,627,004

Notes: 1. Shares issued by the Company are ordinary shares without par value.
2. Issued shares are fully paid up.
3. Capital reserves are mainly consisted of legal capital surplus.
4. The increases were due to the exercise of stock acquisition rights.

(2) Treasury shares

	Number of shares (shares)	Treasury shares (¥ thousand)
Balance as of December 1, 2018	105	(128)
Change	1,008,700	(999,909)
Balance as of November 30, 2019	1,008,805	(1,000,037)
Change	499,548	(500,018)
Balance as of November 30, 2020	1,508,353	(1,500,055)

Note: The number of “Change” were due to purchase shares less than one unit and the acquisition under the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Companies Act. The Company has resolved and implemented the following at the Board of Directors' Meeting held on April 6, 2020.

Class of shares	Common share of Tosei Corporation
Total number of the purchase treasury shares	499,500shares
Total value of the purchase treasury shares	¥499,965thousand
Period for the purchase	From Apr. 8 2020 To Oct. 31 2020
Method of the purchase	Discretionary investment by a securities company

(3) Capital reserves

Capital reserves are composed of legal capital surplus and other capital surplus. The Companies Act mandates that at least half of paid-in capital be appropriated as share capital and the rest be appropriated as legal capital surplus.

(4) Retained earnings

Retained earnings are composed of legal retained earnings and other retained earnings. The Companies Act requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in legal capital surplus and legal retained earnings reach a quarter of the nominal value of share capital.

(5) Other components of equity

Fiscal year ended November 30, 2019 (December. 1, 2018 – November 30, 2019)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in fair values of available-for-sale financial assets	Net change in financial assets measured at fair values through other comprehensive income	Net change in fair values of cash flow hedges	Total
Balance as of December 1, 2018	9,836	70,332	—	(631)	79,537
Cumulative effects of changes in accounting policies	—	(70,332)	70,332	—	—
Balance at beginning of current period reflecting changes in accounting policies as of Dec. 1 2018	9,836	—	70,332	(631)	79,537
Other comprehensive income	(7,352)	—	242,805	(2,961)	232,491
Balance as of November 30, 2019	2,483	—	313,137	(3,592)	312,028

Fiscal year ended November 30, 2020 (December. 1, 2019 – November 30, 2020)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in financial assets measured at fair values through other comprehensive income	Net change in fair values of cash flow hedges	Total
Balance as of December 1, 2019	2,483	313,137	(3,592)	312,028
Other comprehensive income	(6,818)	(518,325)	(11,573)	(536,716)
Balance as of November 30, 2020	(4,334)	(205,187)	(15,165)	(224,688)

1) Exchange differences on translation of foreign operations

These are exchange differences that arise when foreign operations' financial statements prepared in foreign currencies are consolidated.

2) Net change in financial assets measured at fair values through other comprehensive income

This is unrealized gains and losses of financial assets measured at fair values through other comprehensive income.

3) Net change in fair values of cash flow hedges

This is the portion considered effective of changes in fair values of derivative transactions that are designated as cash flow hedge.

21. Dividends

(1) Dividends paid

Fiscal year ended November 30, 2019 (December 1, 2018 – November 30, 2019)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 27, 2019	30	1,456,340	Nov. 30, 2018	Feb. 28, 2019

Fiscal year ended November 30, 2020 (December 1, 2019 – November 30, 2020)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 26, 2020	42	1,998,632	Nov. 30, 2019	Feb. 27, 2020

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

Fiscal year ended November 30, 2020 (December 1, 2019 – November 30, 2020)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 25, 2021	19	896,333	Nov. 30, 2020	Feb. 26, 2021

22. Sales Revenue

(1) Components of revenue 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.

(Fiscal year ended November 30, 2019 (December. 1, 2018 – November 30, 2019)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	31,012,030	14,346,337	–	–	–	–	45,358,368
Revenue from services	–	–	642,976	3,725,861	4,586,096	961,947	9,916,882
Revenue recognized from other sources	–	–	5,301,135	27,013	–	124,305	5,452,453
Total	31,012,030	14,346,337	5,944,112	3,752,874	4,586,096	1,086,252	60,727,704

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

(Fiscal year ended November 30, 2020 (December. 1, 2019 – November 30, 2020)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	31,154,223	16,171,200	—	—	—	—	47,325,424
Revenue from services	—	—	604,836	5,662,756	4,690,599	336,436	11,294,628
Revenue recognized from other sources	—	—	5,205,667	13,311	—	100,749	5,319,728
Total	31,154,223	16,171,200	5,810,503	5,676,067	4,690,599	437,186	63,939,781

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

(2) Performance obligations

The usual timing, etc. of the Tosei Group's fulfillment of performance obligations is as stated in "Significant accounting policies (15) Revenue." As the Group has no significant transactions where the expected duration of any individual contract exceeds one year, information related to remaining performance obligations is omitted. In addition, there is no significant part of the consideration that arises from contracts with customers that is not included in the transaction price.

(3) Contract balance

(¥ thousand)

	As of Dec. 1, 2018	As of Nov. 30, 2019	As of Nov. 30, 2020
Receivables arising from contracts with customers	928,435	2,106,441	1,415,283
contractual liabilities	1,358,417	2,830,635	2,233,182

Notes1: Receivables arising from contracts with customers are included in "trade and other receivables" on the consolidated statements of financial position, while contractual liabilities are included in trade and other payables.

2: Contract liabilities are mainly related to advances received from customers. Of the income recognized in the fiscal year under review, ¥1,162,193 thousand was included in the balance of contract liabilities as of December 1, 2018. And of the income recognized in the fiscal year under review, ¥1,585,964 thousand was included in the balance of contract liabilities as of December 1, 2019.

(4) Amount of the transaction price allocated to remaining performance obligations

The Tosei Group has no significant transactions where the duration of any individual contract exceeds one year. In addition, there is no significant part of the consideration that arises from contracts with customers that is not included in the transaction price.

(5) Contract costs

The Tosei Group has recognized no assets from the costs incurred in gaining or fulfilling contracts with customers.

23. Cost of revenue

Components of cost of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Cost of inventories sold	32,816,715	35,243,380
Depreciation expense	776,332	1,019,109
Gain or loss on valuation of inventories	400,879	7,527,745
Outsourcing costs and others	5,892,846	5,350,156
Total	39,886,774	49,140,392

24. Selling, general and administrative expenses

Components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Employee benefits expense	4,425,496	4,618,146
Sales expenses (Revitalization)	491,968	654,642
Sales expenses (Development)	896,613	618,730
Advertising expenses	239,422	242,598
Compensations	141,468	150,492
Commission fee	549,444	563,523
Taxes and dues	548,522	514,212
Transportation expenses	80,028	60,292
Communication expenses	62,349	75,940
Stationery expenses	54,160	39,804
Depreciation and amortization expense	97,501	197,033
Provision of allowance for credit losses	18,091	82
Other	598,329	666,395
Total	8,203,399	8,401,897

25. Personnel cost

Components of personnel cost are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Salaries, bonuses and allowances	3,572,447	3,723,632
Retirement benefit costs	112,302	132,086
Legal welfare expenses	489,787	508,290
Expenses for the share-based compensation	18,521	33,556
Other short-term employee benefits	232,437	220,582
Total	4,425,496	4,618,146

26. Other income

Components of other income are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Gain on sales of non-current assets	2,228	340
Miscellaneous income	62,106	116,271
Total	64,335	116,612

27. Other expenses

Components of other expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Stock acquisition related expenses	—	31,200
Loss on sales of stocks of subsidiaries and affiliates	2,045	—
Miscellaneous losses	8,862	55,149
Total	10,907	86,349

Note: "Miscellaneous losses" as of November 30, 2019 and 2020 includes losses on exchange differences on translation of ¥3,024 thousand and ¥2,888 thousand.

28. Finance income/costs

Components of finance income/costs are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Interest income		
Financial assets measured at amortized cost	1,124	945
Dividends income		
Financial assets measured at fair value through other comprehensive income	153,341	267,092
Total finance income	154,466	268,037
Interest expenses (Note)		
Financial liabilities measured at amortized cost	755,329	794,479
Total finance costs	755,329	794,479

Note: Commission expense incurred from financial liabilities not measured by fair values that were charged to profit and loss in the fiscal years ended November 30, 2019 and 2020 are ¥41,052 thousand and ¥46,825 thousand, respectively.

29. Other comprehensive income

For each item of comprehensive income, the amount arising during the period and reclassification adjustments to profit and loss and tax effect amount, which are included in "Other comprehensive income" in each fiscal year, are as follows:

Fiscal year ended November 30, 2019 (December 1, 2018 – November 30, 2019)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Net change in financial assets measured at fair values through other comprehensive income	349,963	—	349,963	(107,158)	242,805
Remeasurements of defined benefit pension plans	7,816	—	7,816	(2,392)	5,423
Total items that will not be reclassified to net profit or loss	357,780	—	357,780	(109,551)	248,228
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	(7,352)	—	(7,352)	—	(7,352)
Net change in fair values of cash flow hedges	(4,193)	—	(4,193)	1,232	(2,961)
Total items that may be reclassified to net profit or loss	(11,545)	—	(11,545)	1,232	(10,313)
Total	346,234	—	346,234	(108,319)	237,914

Fiscal year ended November 30, 2020 (December 1, 2019 – November 30, 2020)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Net change in financial assets measured at fair values through other comprehensive income	(747,081)	—	(747,081)	228,756	(518,325)
Remeasurements of defined benefit pension plans	(772)	—	(772)	14	(758)
Total items that will not be reclassified to net profit or loss	(747,854)	—	(747,854)	228,771	(519,083)
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	(6,818)	—	(6,818)	—	(6,818)
Net change in fair values of cash flow hedges	(16,593)	—	(16,593)	5,019	(11,573)
Total items that may be reclassified to net profit or loss	(23,411)	—	(23,411)	5,019	(18,391)
Total	(771,266)	—	(771,266)	233,791	(537,474)

30. Earnings per share

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

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

31. Financial instruments

(1) Capital control

The Group recognizes that it is necessary to secure sufficient fund-raising capacity in order to make flexible investments for achieving sustainable growth. To this end, the Group strives to ensure financial soundness and flexibility for future investments in businesses and establish a capital structure with balanced return on investment.

The Group is careful about the balance between cash and cash equivalents, interest-bearing debts and equity.

As of the end of each fiscal year, balances of cash and cash equivalents, interest-bearing debts and total equity are as follows:

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Cash and cash equivalents	31,998,929	37,039,600
Interest-bearing debt	89,843,269	90,987,508
Equity	58,306,499	58,969,524

Some of the Company’s bank loan contracts include financial covenants with requirements such as the maintenance of a certain level of equity. The Group carries out monitoring to maintain the level required under the said covenants.

(2) Risk management

The Group is exposed to financial risks (exchange risk, interest rate risk, credit risk, liquidity risk and price risks) in the course of operating activities. In order to mitigate these financial risks, the Group conducts risk management. For risks that fundamentally cannot be prevented from arising from the cause (risk aversion) or avoided, the Group tries to reduce such risks. In addition, as its policy, the Group does not carry out trading of derivatives and shares, etc. for speculation purposes.

(3) Exchange risks

Exchange risks arise from transactions denominated in currencies other than the Group’s functional currency. Because there is no significant foreign currency transaction in the Group’s operating activities, the Group is not exposed to significant exchange risks.

Furthermore, though other comprehensive income fluctuates due to currency transaction of financial statements of the Group’s foreign operations, it believes that the impact on the Group is not significant.

(4) Interest rate risks

Interest risks principally arise from borrowings with floating interest rate from financial institutions. For management of these risks, periodically makes a list of interests on borrowings for each financial institution and monitors the fluctuations of interests on borrowings.

Interest rate sensitivity analysis

For borrowings with floating interest rate held by the Group as of the end of each fiscal year, the impact of a 1.0% increase in the interest rate on profit before tax in the consolidated statement of comprehensive income is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Impact on profit before tax	(863,502)	(876,644)

(5) Credit risks

Financial assets included in 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.

The maximum exposure to credit risks of financial assets is the book value of financial assets after impairment presented in the consolidated financial statement.

Fiscal year ended November 30, 2019

Quantitative and qualitative information on the amount of expected credit losses

1) Age analysis of financial assets

The age analysis of trade and other receivables at the end of the consolidated fiscal year is as follows.

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Within due date	3,305,139	－	－	3,305,139
Within 3 months' past due	145,411	－	－	145,411
Over 3 months and within 1 years' past due	1,624	170	16,956	18,750
Over 1 years' past due	419	－	7,705	8,124
Total	3,452,595	170	24,661	3,477,426

2) Changes in allowance for credit losses

The Group individually reviews financial position, credit status and collection of receivables and other factors of major business partners to establish allowance for credit losses. And if a financial asset is impaired, the Group records allowance for credit losses for the impairment rather than directly decreasing the book value of the financial asset. Changes in allowance for credit losses are as follows:

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Balance at December 1, 2018	411	180	8,250	8,843
New occurrence or collection during the fiscal year	720	85	16,956	17,761
Decrease due to reverse	—	—	—	—
Decrease due to intended use	—	—	(726)	(726)
Transferred to credit-impaired financial assets	—	(180)	180	—
Balance at November 30, 2019	1,132	85	24,661	25,878

Fiscal year ended November 30, 2020

Quantitative and qualitative information on the amount of expected credit losses

1) Age analysis of financial assets

The age analysis of trade and other receivables at the end of the consolidated fiscal year is as follows.

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Within due date	2,832,135	—	—	2,832,135
Within 3 months' past due	105,702	—	—	105,702
Over 3 months and within 1 years' past due	15,171	96	—	15,268
Over 1 years' past due	165	885	4,199	5,251
Total	2,953,175	982	4,199	2,958,358

2) Changes in allowance for credit losses

The Group individually reviews financial position, credit status and collection of receivables and other factors of major business partners to establish allowance for credit losses. And if a financial asset is impaired, the Group records allowance for credit losses for the impairment rather than directly decreasing the book value of the financial asset. Changes in allowance for credit losses are as follows:

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Balance at December 1, 2019	1,132	85	24,661	25,878
New occurrence or collection during the fiscal year	33	491	162	686
Decrease due to reverse	(603)	—	—	(603)
Decrease due to intended use	—	—	(20,708)	(20,708)
Transferred to credit-impaired financial assets	—	(85)	85	—
Balance at November 30, 2020	561	491	4,199	5,252

(6) Liquidity risks

Since the Group raises funds through borrowings from financial institutions, it is exposed to liquidity risks of failure to make payments on due dates because of deterioration in the financing environment, etc.

The Company periodically grasps and aggregates information on the situations of liquidity on hand and interest-bearing debts, etc. and reports such information to the management meeting.

The balances of financial liabilities by due date are as follows:

(¥ thousand)

	Within 1 year	Over 1 year within 5 years	Over 5 years	Total
As of November 30, 2019				
Non-derivative financial liabilities				
Trade and other payables	2,695,818	3,517,073	231,099	6,443,992
Borrowings	16,291,247	50,849,480	22,702,541	89,843,269
Derivative financial liabilities				
Trade and other payables	—	13,663	—	13,663
As of November 30, 2020				
Non-derivative financial liabilities				
Trade and other payables	5,466,127	3,380,946	238,390	9,085,465
Borrowings	11,794,730	53,380,558	25,812,220	90,987,508
Derivative financial liabilities				
Trade and other payables	—	30,256	—	30,256

(7) Price risks

The Group is exposed to price risks of financial instruments arising from investments classified as other financial assets. These financial instruments are primarily listed securities and investments in privately placed funds. To manage the price risks arising from the said financial instruments, the Company periodically reports holding amounts of listed securities and investments in privately placed funds to the management meeting.

If the prices of the listed securities were to fluctuate by 10% as of November 30, 2019 and 2020, assuming all other variable factors including tax rates to be fixed, the impact of the fluctuation on total comprehensive income for the year and equity would be ¥261,041 thousand and ¥238,433 thousand, respectively.

(8) Investments in equity instruments measured at fair value through other comprehensive income

The Group designates investments in equity instruments, held for reasons such as accumulating business expertise and collecting information, as equity instruments measured at fair value through other comprehensive income, based on their holding purpose.

1) Fair value by major issuers

The fair value of investments in equity instruments measured at fair value through other comprehensive income by major issuers is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Tosei Reit Investment Corporation	3,651,885	3,334,877
Other	179,705	268,961
Total	3,831,590	3,603,838

2) Dividends income

The following is a breakdown of the dividends received during the fiscal year under review that are related to investments held as of the last day of the fiscal year and investments derecognized during the fiscal year:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Related to investments held as of the end of the fiscal year	153,122	215,887
Investments derecognized during the fiscal year	215	51,204
Total	153,337	267,092

3) Equity financial instruments measured at fair value through other comprehensive income derecognised during the period

The Group has disposed of certain financial assets measured at fair value through other comprehensive income through sale and has derecognized them, by reviewing business relationships etc. The fair value of the securities sold during the period at the time of the sale, and the total gain or loss on the sale are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Fair value	151,509	420,300
Accumulated gain or loss	—	—

(9) Fair value measurement

1) Fair values and book value

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

(¥ thousand)

	As of November 30, 2019		As of November 30, 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	37,039,600	37,039,600
Trade and other receivables (Note1)	4,850,060	4,850,060	3,003,105	3,003,105
Financial assets measured at fair value through other comprehensive income				
Other financial assets	3,831,590	3,831,590	3,603,838	3,603,838
Financial assets measured at fair value through profit or loss				
Other financial assets	421,101	421,101	368,471	368,471
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables (Note2)	10,210,136	10,210,136	6,414,729	6,414,729
Borrowings	89,843,269	89,851,347	90,987,508	90,983,844

Notes: 1. Trade and other receivables in the previous fiscal year was the amounts on the consolidated statement of financial position. Of this amount, financial assets measured at amortized cost was ¥3,451,548 thousand.

2. Trade and other payables in the previous fiscal year was the amounts on the consolidated statement of financial position. Of this amount, financial assets measured at amortized cost was ¥6,443,992 thousand.

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. Securities that do not have a quoted market price in an active market and of which the fair value cannot be reliably estimated are measured based on the acquisition cost.

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.

2) 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 value with the change in fair value recognized through other comprehensive income	3,762,485	—	69,105	3,831,590
Financial assets measured at fair value through profit or loss	—	—	421,101	421,101
Financial liabilities measured at fair value through other comprehensive income (derivative) (Note)	—	13,663	—	13,663

Note: These are interest rate swap contracts concluded in order to hedge changes in future cash flows associated with floating-rate borrowings. The estimated period of cash flows arising in association with designated cash flow hedges and the period in which they are expected to have impact on profit or loss is five years or less after the end of the fiscal year under review.

(¥ thousand)

	As of November 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value with the change in fair value recognized through other comprehensive income	3,436,629	—	167,209	3,603,838
Financial assets measured at fair value through profit or loss	—	—	368,471	368,471
Financial liabilities measured at fair value through other comprehensive income (derivative) (Note)	—	30,256	—	30,256

Note: These are interest rate swap contracts concluded in order to hedge changes in future cash flows associated with floating-rate borrowings. The estimated period of cash flows arising in association with designated cash flow hedges and the period in which they are expected to have impact on profit or loss is four years or less after the end of the fiscal year under review.

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)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Balance at beginning of period	631,787	490,206
Acquisition	5,357	521,860
Comprehensive income		
Profit (loss) (Note 1)	13,722	–
Other comprehensive income (Note2)	6,313	5,623
Disposal	(166,973)	(482,009)
Balance at end of period	490,206	535,680

Notes1: All of the amounts are related to the Fund and Consulting Business, which are included in “Revenue” or “Cost of revenue” in each fiscal year.

2: Gains or losses recognized in other comprehensive income are shown in “Net changes in financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.

32. Leases

1) Lessee

The Group rents offices from non-related parties under operating lease contracts, some of which contain the clause that specifies the contract is irrevocable for a certain period of time. Future minimum lease payments under irrevocable operating leases are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019
Due within 1 year	558,370
Due over 1 year through 5 years	167,107
Total	725,477

Notes1: Lease payments recognized as expenses under revocable or irrevocable operating lease contracts as of November 30, 2019 was ¥616,337 thousand respectively.

2: The minimum amounts of sub-lease payments that the Group expects to receive in the future from irrevocable sub-lease contracts as of the end of the previous fiscal year was ¥117,130 thousand, respectively.

2) Lessor

The Group lends offices etc. to non-related parties under operating lease contracts, some of which contain the clause that specifies the contract is irrevocable for a certain period of time. Future minimum lease payments received under irrevocable operating leases are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019
Due within 1 year	392,315
Due over 1 year through 5 years	587,258
Over 5 years	324,988
Total	1,304,562

Note: The amount of variable lease income recognized as income during the fiscal year under review was ¥83,211 thousand.

Fiscal year ended November 30, 2020

(1) Lessee

The Group rents buildings and structures.

1) Increase or decrease regarding Right-of-use assets

Increase or decrease regarding Right-of-use assets is as follows.

(¥ thousand)

	buildings and structures	Others	Total
Balance at December 1, 2019	1,206,799	25,778	1,232,577
Increase of Right- of-use assets	—	33,306	33,306
Depreciation	(247,047)	(13,330)	(260,378)
Others	(83,530)	—	(83,530)
Balance at November 30, 2020	876,220	45,753	921,974

2) Interest cost, lease costs due to short-term lease exceptions and lease costs due to small asset exceptions

The Group did not recognize Right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases with a small amount of underlying assets, and recognizes lease payments as expenses over the lease term using the straight-line method.

Interest costs, lease costs due to short-term lease exceptions and lease costs due to small asset exceptions are as follows.

(¥ thousand)

	Fiscal year ended November 30, 2020
Interest costs	10,523
Lease costs due to short-term lease exceptions	44,626
Lease costs due to small asset exceptions	24,658

3) Sub-lease Income

Sub-lease income for the fiscal year ended November 30, 2020 was ¥754,332 thousand.

4) Cash outflow of leasing

Cash outflow of leasing for the fiscal year ended November 30, 2020 was ¥688,488 thousand.

5) Maturity analysis of lease liabilities

Maturity analysis of lease liabilities are as follows.

(¥ thousand)

	As of November 30, 2020
Due within 1 year	220,422
Due over 1 year through 5 years	710,291
Over 5 years	—
Total	930,713

(2) Lessor

The Group lends buildings and structures, land.

1) Income relating to operating leases

(¥ thousand)

	Fiscal year ended November 30, 2020
Lease payments receivable	5,263,089
Variable lease payments receivable	43,328

2) Maturity analysis

Maturity analysis of operating leases are as follows.

(¥ thousand)

	As of November 30, 2020
Due within 1 year	659,209
Due over 1 year through 2 years	483,027
Due over 2 year through 3 years	268,362
Due over 3 year through 4 years	223,100
Due over 4 year through 5 years	134,944
Over 5 years	196,823
Total	1,965,468

3) Book value of the underlying assets subject to an operating lease

(¥ thousand)

	As of November 30, 2020
Inventories	38,706,293
Property, plant and equipment	
Buildings and structures	182,973
Land	381,867
Investment properties	26,109,552

33. Related parties

(1) Transactions with related parties

The Group conducts transactions with key management personnel as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Trade and other payables	349,044	333,123
Revenue	120	20
Selling, general and administrative expenses	1,296	15,865
Total	350,461	349,009

Transactions with related parties are conducted on the same terms as ordinary business transactions.

At the Ordinary General Meeting of Shareholders held on February 25, 2015, the Company resolved to make final payments of retirement benefits to retiring officers upon abolition of its Retirement Benefits Plan for Officers. The full amount of the Company's "Provision for directors' retirement benefits" has been reversed and an unpaid portion in final payments has been presented as included in "Trade and other payables" in non-current liabilities. The unpaid portion presented as included in "Trade and other payables" for the previous fiscal year and the fiscal year under review is ¥348,641 thousand and ¥304,034 thousand, respectively.

(2) Compensation for principal key management personnel

Compensation for principal key management personnel is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Short-term employee benefits	410,613	432,282
Retirement benefits	6,021	14,325
Total	416,635	446,608

34. Structured entities

The Company and certain consolidated subsidiaries are involved with structured entities whose purpose is to invest in real estate, through investments, asset management service, etc., and these structured entities are not consolidated.

The balance of assets under our management for the unconsolidated structured entities in the fiscal year ended November 30, 2019 and the fiscal year ended November 30, 2020 is ¥683,138,188 thousand and ¥1,123,406,699 thousand, respectively, while fees received from these entities in the fiscal year ended November 30, 2019 and the fiscal year ended November 30, 2020 are ¥2,851,866 thousand and ¥3,858,301 thousand, respectively.

These structured entities procure funds principally via real estate non-recourse loans.

The book value of assets recognized in the consolidated statement of financial position in association with the involvement with the unconsolidated structured entities are as follows. These book value are the maximum exposure.

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Trade and other receivables	1,376,423	674,512
Other financial assets	432,122	377,872
Total	1,808,546	1,052,384

The maximum exposure is the maximum amount of losses that may arise due to a decline in the value of assets held by the structured entities, and does not represent the amount of losses that are expected from the involvement with these entities.

35. Share-based compensation

(1) Details of the share-based compensation system

The Company employs a stock option system and grants stock options to the Company's directors, executive officers and employees as well as to directors of its consolidated subsidiaries. This system is designed to further increase motivation and morale for improving the Group's business performance and corporate value.

The period during which stock options may be exercised is a period specified in the allotment agreement of stock acquisition rights. Stock options that are not exercised in the period are forfeited. Holders of stock acquisition rights are required to have either the rank of Director, Audit & Supervisory Board Member, Executive Officer, or employee of the Company, however, if the grantee retires or resigns from the Company by the vesting date, his or her options are also forfeited, except in cases allowed in the stock acquisition rights allotment agreement such as resignation due to the expiration of the grantee's term of office.

Stock options under the Company's share-based compensation system are accounted for as equity-settled share-based compensation. Expenses for the equity-settled share-based compensation transactions for the fiscal year ended November 30, 2019 and 2020 were ¥18,521 thousand and ¥33,556 thousand for the fiscal year under review respectively.

The Group's stock option system that exists in the fiscal year under review is as follows:

	Number of stock options granted (shares)	Grant date	Period during which stock options may be exercised	Exercise price (¥)
Sixth Series of Stock Acquisition Rights	725,000	May 27, 2019	May 1, 2021 to April 25, 2024	1,006

(2) Total number of exercisable shares and weighted average exercise price of stock options

Fifth Series of Stock Acquisition Rights

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Exercise price (¥)	803	803
Unexercised, outstanding stock options at the beginning of the year (shares)	245,200	194,700
Granted during the year (shares)	–	–
Forfeited during the year (shares)	–	–
Exercised during the year (shares)	50,500	88,500
Expired during the year (shares)	–	106,200
Unexercised, outstanding stock options at the end of the year (shares)	194,700	–
Exercisable, outstanding stock options at the end of the year (shares)	194,700	–

Notes: 1. The weighted average price of stock options exercised during the last fiscal year and the current fiscal year under review as of the date on which stock options were exercised is ¥1,055 and ¥1,275.

2. 64,200 shares of treasury stock acquisition rights held by the Company are included in the unexercised, outstanding stock options and the exercisable, outstanding stock options as of the end of the last fiscal year.

3. The weighted average remaining contractual term for unexercised stock options was 0.9 years for the last fiscal year.

Sixth Series of Stock Acquisition Rights

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Exercise price (¥)	1,006	1,006
Unexercised, outstanding stock options at the beginning of the year (shares)	—	725,000
Granted during the year (shares)	725,000	—
Forfeited during the year (shares)	—	—
Exercised during the year (shares)	—	—
Expired during the year (shares)	—	—
Unexercised, outstanding stock options at the end of the year (shares)	725,000	725,000
Exercisable, outstanding stock options at the end of the year (shares)	—	—

Note: The weighted average remaining contractual term for unexercised stock options was 3.0 years for the current fiscal year under review.

36. Cash flow information

The status of financial cash flows resulting from financing activities as follows:

(¥ thousand)

	Borrowings	Lease liabilities	Total
Balance at December 1, 2018	75,019,173	6,074	75,025,247
Changes with cash flow	14,796,256	21,766	14,818,022
Changes without cash flow	—	—	—
Balance at November 30, 2019	89,815,429	27,840	89,843,269
Changes with cash flow	241,366	(255,438)	(14,072)
Changes without cash flow	—	1,158,311	1,158,311
Balance at November 30, 2020	90,056,795	930,713	90,987,508

Note: Changes without cash flow was due to an increase in right-of-use assets.

37. Business combinations

None

38. Contingencies

None

39. Subsequent events

Repurchase of the treasury shares

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, at the board of directors' meeting held on January 25, 2021.

1. Reason for repurchase of the treasury shares

Stock will be repurchased to raise the level of shareholder returns and improve capital efficiency.

2. Details of repurchase

(1) Class of shares to be repurchased	Common share of Tosei Corporation
(2) Total number of shares to be repurchased	Up to 700,000 shares (1.5% of issued shares (excluding treasury shares))
(3) Total value of shares to be repurchased	Up to 0.5 billion yen
(4) Period for repurchase	From February 1, 2021 to July 31, 2021
(5) Method of repurchase	Discretionary investment by a securities company

40. Significant subsidiaries

The Company's significant subsidiaries are as described in "I. Overview of the Tosei Group, 4. Status of subsidiaries and associates."

(2)Others

Quarterly data of the fiscal year ended November 30, 2020

(Cumulative period)	First quarter (Three months ended Feb. 29, 2020)	Second quarter (Six months ended May 31, 2020)	Third quarter (Nine months ended Aug. 31, 2020)	Fiscal year ended November 30, 2020
Revenue (¥ thousand)	23,468,579	45,050,321	56,309,557	63,939,781
Profit before tax (¥ thousand)	5,359,510	1,890,888	4,157,004	5,901,313
Profit for the period (year) attributable to owners of parent (¥ thousand)	3,587,817	1,147,607	2,468,734	3,602,339
Basic earnings per share (¥)	75.37	24.14	52.05	76.05

(Each quarter)	First quarter (Dec. 1, 2019 – Feb. 29, 2020)	Second quarter (Mar. 1, 2020 – May 31, 2020)	Third quarter (Jun. 1, 2020 – Aug. 31, 2020)	Fourth quarter (Sep. 1, 2020 – Nov. 30, 2020)
Basic earnings per share (¥)	75.37	(51.37)	27.98	24.04

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheets

(¥ thousand)

		As of November 30, 2019		As of November 30, 2020
Assets				
Current assets				
Cash and deposits		25,270,442		27,846,843
Accounts receivable-trade	*2	145,048		104,703
Real estate for sale	*1	43,201,715	*1	45,149,062
Real estate for sale in process	*1	27,147,207	*1	16,552,152
Supplies		6,774		7,821
Short-term loans receivable from subsidiaries and affiliates		55,000		1,425,000
Accounts receivable-other	*2	419,524	*2	1,055,163
Advance payments-trade		227,625		175,737
Prepaid expenses		348,259		309,614
Other	*2	546,144	*2	274,691
Allowance for credit losses		(428)		(857)
Total current assets		97,367,313		92,899,932
Non-current assets				
Property, plant and equipment				
Buildings	*1	15,895,418	*1	17,569,128
Structures		33,463		62,969
Machinery and equipment		20,541		55,612
Vehicles		8,089		5,395
Tools, furniture and fixtures		31,679		22,391
Land	*1	25,682,668	*1	27,730,892
Lease assets		6,345		14,700
Construction in progress		173,110		213,820
Total property, plant and equipment		41,851,316		45,674,909
Intangible assets				
Software		19,537		189,285
Software in progress		45,105		1,500
Telephone subscription right		1,889		1,889
Total intangible assets		66,531		192,674
Investments and other assets				
Investment securities		4,192,054		3,821,115
Stocks of subsidiaries and affiliates		4,752,166		4,409,416
Investments in capital		4,150		6,150
Long-term loans receivable		89,838		2,743
Long-term loans receivable from subsidiaries and affiliates		478,000		250,320
Long-term prepaid expenses		254,744		212,430
Long-term accounts receivable-other	*2	59,554	*2	71,008
Claims provable in bankruptcy, claims provable in rehabilitation and other		20,538		77
Lease and guarantee deposits		693,363		526,848
Other		4,014		4,014
Allowance for credit losses		(21,077)		(93)
Total investments and other assets		10,527,347		9,304,030
Total non-current assets		52,445,195		55,171,614
Total assets		149,812,509		148,071,547

(¥ thousand)

		As of November 30, 2019		As of November 30, 2020
Liabilities				
Current liabilities				
Accounts payable-trade	*2	837,386	*2	983,397
Short-term loans payable	*1, 4	1,978,000	*1, 4	183,000
Current portion of long-term loans payable	*1, 4	13,832,430	*1, 4	10,958,124
Lease obligations		3,629		4,494
Accounts payable-other	*2	534,705		728,299
Accrued expenses		93,241		63,013
Income taxes payable		889,324		–
Accrued consumption taxes		496,376		–
Advances received		2,609,597		2,086,284
Deposits received	*2	274,126		208,059
Provision for bonuses		316,888		203,253
Total current liabilities		21,865,706		15,417,925
Non-current liabilities				
Long-term loans payable	*1, 4	71,442,365	*1, 4	76,947,400
Guarantee deposits	*2	3,309,553	*2	3,100,223
Lease obligations		3,224		11,703
Asset retirement obligations		6,971		7,129
Provision for retirement benefits		391,525		391,741
Long-term accounts payable-other for directors		348,641		304,034
Derivative liabilities		9,048		27,175
Deferred tax liabilities		359,212		127,082
Total non-current liabilities		75,870,542		80,916,489
Total liabilities		97,736,249		96,334,415

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Net assets		
Shareholders’ equity		
Capital stock	6,579,844	6,624,890
Capital surplus		
Legal capital surplus	6,663,319	6,708,366
Total capital surplus	6,663,319	6,708,366
Retained earnings		
Legal retained earnings	7,250	7,250
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	1,539,134	1,539,134
General reserve	15,000	15,000
Retained earnings brought forward	37,921,787	38,517,762
Total other retained earnings	39,475,921	40,071,896
Total retained earnings	39,483,171	40,079,146
Treasury shares	(1,000,037)	(1,500,055)
Total shareholders’ equity	51,726,298	51,912,347
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	308,757	(208,439)
Deferred gains (losses) on hedges	(6,277)	(18,854)
Total valuation and translation adjustments	302,479	(227,293)
Stock acquisition rights	47,481	52,077
Total net assets	52,076,260	51,737,131
Total liabilities and net assets	149,812,509	148,071,547

2) Non-consolidated statements of operations

(¥ thousand)

		Fiscal year ended November 30, 2019		Fiscal year ended November 30, 2020
Net sales	*1	48,861,295	*1	51,958,230
Cost of sales	*1	34,513,514	*1	44,520,749
Gross profit		14,347,781		7,437,481
Selling, general and administrative expenses	*1,2	4,709,542	*1,2	4,584,445
Operating income		9,638,238		2,853,035
Non-operating income				
Interest income	*1	7,913	*1	17,656
Dividends income	*1	788,700	*1	1,230,196
Miscellaneous income	*1	62,578	*1	56,005
Total non-operating income		859,191		1,303,858
Non-operating expenses				
Interest expenses		719,259		755,312
Share issuance cost		491		832
Foreign exchange losses		2,966		2,847
Miscellaneous loss		4,330		15,121
Total non-operating expenses		727,047		774,114
Ordinary income		9,770,383		3,382,780
Extraordinary income				
Gain on sale of investment securities		95,083		—
Total extraordinary income		95,083		—
Income before income taxes		9,865,466		3,382,780
Income taxes-current		1,930,851		786,493
Income taxes-deferred		661,419		1,679
Total income taxes		2,592,271		788,172
Net income		7,273,194		2,594,607

Detailed schedule of cost of sales

Schedule of the cost in the Revitalization Business

Accounts	Notes	Fiscal year ended November 30, 2019 Amounts (¥ thousand)	Ratio (%)	Fiscal year ended November 30, 2020 Amounts (¥ thousand)	Ratio (%)
I. Land		14,574,428	68.6	15,096,138	62.8
II. Acquisition and improvement cost of buildings		6,401,217	30.1	7,709,644	32.0
III. Book values written down following a decline in the revenue		272,406	1.3	1,257,522	5.2
Total		21,248,052	100.0	24,063,305	100.0

Note: The cost is calculated based on specific-order cost system.

Schedule of the cost in the Development Business

Accounts	Notes	Fiscal year ended November 30, 2019 Amounts (¥ thousand)	Ratio (%)	Fiscal year ended November 30, 2020 Amounts (¥ thousand)	Ratio (%)
I. Land costs		4,893,052	50.6	3,453,383	20.4
II. Construction costs		4,760,973	49.2	7,217,513	42.7
III. Book values written down following a decline in the revenue		14,962	0.2	6,252,966	36.9
Total		9,668,988	100.0	16,923,863	100.0

Note: The cost is calculated based on specific-order cost system.

Schedule of the cost in the Rental Business

Accounts	Notes	Fiscal year ended November 30, 2019 Amounts (¥ thousand)	Ratio (%)	Fiscal year ended November 30, 2020 Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		598,067	18.4	557,180	17.6
II. Miscellaneous expenses		2,648,075	81.6	2,606,598	82.4
[Of which taxes and dues]		[427,948]		[395,946]	
[Of which depreciation and amortization]		[539,773]		[567,011]	
[Of which water and power]		[544,357]		[505,277]	
Total		3,246,143	100.0	3,163,779	100.0

Schedule of the cost in the Fund and Consulting Business

Accounts	Notes	Fiscal year ended November 30, 2019 Amounts (¥ thousand)	Ratio (%)	Fiscal year ended November 30, 2020 Amounts (¥ thousand)	Ratio (%)
Miscellaneous expenses		6,383	100.0	616	100.0
Total		6,383	100.0	616	100.0

Schedule of the cost in the Hotel Business

		Fiscal year ended November 30, 2019		Fiscal year ended November 30, 2020	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		11,855	3.4	20,891	5.7
II. Miscellaneous expenses		332,091	96.6	348,294	94.3
[Of which taxes and dues]		[83,096]		[85,786]	
[Of which depreciation and amortization]		[217,165]		[234,133]	
[Of which water and power]		[9,713]		[13,633]	
Total		343,947	100.0	369,185	100.0

3)Non-consolidated statements of changes in net assets

Fiscal year ended November 30, 2019
(December 1, 2018 – November 30, 2019)

(¥ thousand)

	Shareholders' equity							
		Capital surplus			Retained earnings			
					Other retained earnings			
	Capital stock	Legal capital surplus	Total capital surpluses	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the year	6,554,139	6,637,615	6,637,615	7,250	—	15,000	33,644,067	33,666,317
Changes of items during the year								
Issuance of new shares	25,704	25,704	25,704					
Dividends from surplus							(1,456,340)	(1,456,340)
Net income							7,273,194	7,273,194
Purchase of treasury shares								
Provision of reserve for tax purpose reduction entry of non-current assets					1,539,134		(1,539,134)	—
Net changes of items other than shareholders' equity								
Total changes of items during the year	25,704	25,704	25,704	—	1,539,134	—	4,277,719	5,816,853
Balance at the beginning of the year	6,579,844	6,663,319	6,663,319	7,250	1,539,134	15,000	37,921,787	39,483,171

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total share-holders' 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	(128)	46,857,944	70,332	(2,460)	67,871	39,818	46,965,634
Changes of items during the year							
Issuance of new shares		51,409					51,409
Dividends from surplus		(1,456,340)					(1,456,340)
Net income		7,273,194					7,273,194
Purchase of treasury shares	(999,909)	(999,909)					(999,909)
Provision of reserve for tax purpose reduction entry of non-current assets		—					—
Net changes of items other than shareholders' equity			238,424	(3,816)	234,607	7,663	242,271
Total changes of items during the year	(999,909)	4,868,353	238,424	(3,816)	234,607	7,663	5,110,625
Balance at the beginning of the year	(1,000,037)	51,726,298	308,757	(6,277)	302,479	47,481	52,076,260

Fiscal year ended November 30, 2020
(December 1, 2019 – November 30, 2020)

(¥ thousand)

	Shareholders' equity							
		Capital surplus			Retained earnings			
					Other retained earnings			
	Capital stock	Legal capital surplus	Total capital surpluses	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the year	6,579,844	6,663,319	6,663,319	7,250	1,539,134	15,000	37,921,787	39,483,171
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								
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
Balance at the end of the year	6,624,890	6,708,366	6,708,366	7,250	1,539,134	15,000	38,517,762	40,079,146

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total share-holders' 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	(1,000,037)	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)					(500,018)
Net changes of items other than shareholders' equity			(517,197)	(12,576)	(529,773)	4,595	(525,117)
Total changes of items during the year	(500,018)	186,049	(517,197)	(12,576)	(529,773)	4,595	(339,128)
Balance at the end of the year	(1,500,055)	51,912,347	(208,439)	(18,854)	(227,293)	52,077	51,737,131

[Notes to Non-consolidated Financial Statements]

Significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

1) Stocks of subsidiaries	Stated at cost determined by the moving-average method
2) Other 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 book value in the non-consolidated balance sheet are written down due to a decline in profitability of assets) is used as the valuation basis.

1) Real estate for sale and real estate for sale in process
Specific identification method
2) 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) Provision for loss on rental business	To cover losses from sublease contracts, etc., provision for loss on rental business is provided in the amount of total rent and other payment obligations less expected total rental revenue, etc. from subleases.

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) Method for hedge accounting	1) Method for hedge accounting Based on the deferred hedge accounting. 2) Hedging instrument and hedged item - Hedging instrument: interest rate swaps - Hedged item: interest on borrowings 3) Hedging policy To mitigate risks of fluctuations in interest rates on borrowings and improve the financial account balance, the Company hedges interest volatility risks within the scope of the hedged items. 4) Method for assessing hedge effectiveness The Company compares cumulative changes in the market price or cumulative changes in cash flows of the hedged item with cumulative changes in the market price or cumulative changes in cash flows of the hedging instrument semi-annually, and assesses hedge effectiveness based on the amount of these changes of both and other factors.

Additional information

(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.

(Impact of COVID-19 on Tosei’s Financial Results)

During the fiscal year under review, due to the spread of COVID-19 and the resulting stagnation of economic activity, it is expected that the liquidity of income-generating real estate will decline and the risk premium will rise. The Company 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 Company 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 Company assumes COVID-19 will be contained by around autumn of 2021 and economic activity will gradually return to normal, and the real estate market will recover to the 2019 level in the fiscal year ending November 2022. The Company made an accounting estimate of inventory valuation, impairment losses on fixed assets, and recoverability of deferred tax assets, etc.

Notes to non-consolidated balance sheets

*1. Pledged assets and secured debts are as follows:

Pledged assets

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Real estate for sale	42,165,097	44,273,253
Real estate for sale in process	26,356,800	16,511,680
Buildings	13,580,540	16,697,123
Land	18,948,339	23,260,173
Total	101,050,777	100,742,231

Debts secured by security interests

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Short-term loans payable	1,978,000	85,500
Current portion of long-term loans payable	13,832,430	10,958,124
Long-term loans payable	71,442,365	76,563,400
Total	87,252,795	87,607,024

*2. Monetary receivables from and payables to subsidiaries and affiliates

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Short-term monetary receivables	127,387	256,919
Long-term monetary receivables	59,554	71,008
Short-term monetary payables	94,793	438,194
Long-term monetary payables	159,137	42,027

3. Contingent liabilities

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

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Tosei Revival Investment Co., Ltd.	668,320	607,000
Tosei Community Co., Ltd.	56,164	―
Tosei Urban Home Corporation	370,000	148,000
Kishino Corporation	673,600	644,800

*4. Financial covenants

As of November 30, 2019

(1) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥1,200,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(2) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥539,150 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(3) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥655,404 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(4) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥2,534,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to

the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2017, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(5) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥691,252 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(6) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥9,180,580 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(7) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥670,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2017, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(8) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥1,050,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(9) Of the Company's loans payable, loan contract with Chiba Kogyo Bank (outstanding balance: ¥700,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(10) Of the Company's loans payable, loan contract with Chiba Bank (outstanding balance: ¥137,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(11) Of the Company's loans payable, loan contract with Kansai Mirai Bank (outstanding balance: ¥567,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the non consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the previous fiscal year.

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the previous fiscal year.

・In the non consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

(12) Of the Company's loans payable, loan contract with Chiba Bank (outstanding balance: ¥560,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2017, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

As of November 30, 2020

(1) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥472,550 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2014, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Trade and other payables

(2) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥627,720 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(3) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥3,175,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2017, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(4) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥656,260 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(5) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥750,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・ In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・ In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

Reference value = Total interest-bearing debt ÷ Total equity

* Total interest-bearing debt = Corporate bonds + Loans payable + Lease obligations

(6) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥8,783,140 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(7) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥1,161,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(8) Of the Company’s loans payable, loan contract with Chiba Kogyo Bank (outstanding balance: ¥700,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(9) Of the Company’s loans payable, loan contract with Chiba Bank (outstanding balance: ¥768,200 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(10) Of the Company’s loans payable, loan contract with Kansai Mirai Bank (outstanding balance: ¥662,600 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the non consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the previous fiscal year.

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the previous fiscal year.

・In the non consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

(11) Of the Company’s loans payable, loan contract with Chiba Bank (outstanding balance: ¥560,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2017, and total equity as of the end of the previous fiscal year.

・In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

Notes to non-consolidated statements of operations

*1. The following shows the item that includes transactions with associated companies.

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Net Sales	398,975	177,124
Purchase amount	1,077,717	1,054,502
Other business turnover	96,207	150,032
Transaction volume other than business turnover	662,525	960,739

*2. The approximate ratio to selling expenses is 32.8% in the fiscal year ended November 30, 2019 and 32.1% in the fiscal year ended November 30, 2020, while the approximate ratio to general and administrative expenses is 67.2% in the fiscal year ended November 30, 2019 and 67.9% in the fiscal year ended November 30, 2020. Main components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2019	Fiscal year ended November 30, 2020
Sales expenses (Revitalization)	495,996	674,281
Sales expenses (Development)	901,457	666,064
Salaries and allowances	1,089,777	1,121,784
Provision for bonuses	316,093	203,253
Retirement benefit expenses	58,050	60,724
Provision of allowance for credit losses	17,945	153
Taxes and dues	502,026	461,750
Depreciation	47,051	63,307

Securities

As of November 30, 2019

As shares in subsidiaries (book value in the balance sheet: ¥4,752,166 thousand) have no quoted market prices and, at the same time, it is considered extremely difficult to determine the fair values, they are omitted.

As of November 30, 2020

As shares in subsidiaries (book value in the balance sheet: ¥4,409,416 thousand) have no quoted market prices and, at the same time, it is considered extremely difficult to determine the fair values, they are omitted.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(¥ thousand)

	As of November 30, 2019	As of November 30, 2020
Deferred tax assets		
Accrued enterprise taxes, currently not deductible	66,376	19,997
Provision for bonuses	97,031	62,236
Loss on valuation of inventories	—	228,835
Provision for retirement benefits	119,885	119,951
Long-term accounts payable-other for directors	106,753	93,095
Valuation difference on other securities	—	91,992
Dividends income as withdrawal of investments	523,727	661,517
Other	66,284	48,602
Subtotal	980,058	1,326,228
Valuation reserves	(523,727)	(774,033)
Total deferred tax assets	456,331	552,195
Deferred tax liabilities		
Valuation difference on other securities	(136,266)	—
Reserve for tax purpose reduction entry of non-current assets	(679,277)	(679,277)
Total deferred tax liabilities	(815,544)	(679,277)
Net deferred tax assets and liabilities	(359,212)	(127,082)

2. The account for the difference between the statutory effective tax rate and the effective tax rate after adoption of tax-effect accounting

	As of November 30, 2019	As of November 30, 2020
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Expenses not deductible permanently such as entertainment expenses	0.23	0.69
Profits not deductible permanently such as dividends income	(6.82)	(12.94)
Taking over loss carryforward due to liquidation of a subsidiary	—	(2.48)
Change in valuation reserves	2.11	7.40
Other	0.14	0.01
Effective tax rates after adoption of tax effect accounting	26.28	23.30

Revenue recognition

Notes to this section have been omitted, as the same information is shown in “Notes to Consolidated Financial Statements 22. Sales revenue.”

Important subsequent events

Repurchase of the treasury shares

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, at the board of directors' meeting held on January 25, 2021.

1. Reason for repurchase of the treasury shares
   Stock will be repurchased to raise the level of shareholder returns and improve capital efficiency.

2. Details of repurchase

(1) Class of shares to be repurchased	Common share of Tosei Corporation
(2) Total number of shares to be repurchased	Up to 700,000 shares (1.5% of issued shares (excluding treasury shares))
(3) Total value of shares to be repurchased	Up to 0.5 billion yen
(4) Period for repurchase	From February 1, 2021 to July 31, 2021
(5) Method of repurchase	Discretionary investment by a securities company

4) Supplementary statements

[Detailed schedule of property, plant and equipment and others]

(¥ thousand)

Category	Type of assets	Balance as of Dec. 1, 2019	Increase in the fiscal year ended Nov. 30, 2020	Decrease in the fiscal year ended Nov. 30, 2020	Depreciation during the fiscal year ended Nov. 30, 2020	Balance as of Nov. 30, 2020	Accumulated depreciation or amortization as of Nov. 30, 2020
Property, plant and equipment	Buildings	15,895,418	3,499,066	1,011,243	814,113	17,569,128	3,262,812
	Structures	33,463	32,157	—	2,651	62,969	13,928
	Machinery and equipment	20,541	40,981	—	5,910	55,612	20,500
	Vehicles	8,089	—	—	2,693	5,395	9,656
	Tools, furniture and fixtures	31,679	4,323	—	13,612	22,391	97,555
	Land	25,682,668	4,041,288	1,993,065	—	27,730,892	—
	Lease assets	6,345	13,590	—	5,235	14,700	16,904
	Construction in progress	173,110	998,703	957,993	—	213,820	—
	Total	41,851,316	8,630,111	3,962,301	844,216	45,674,909	3,421,357
Intangible assets	Software	19,537	192,055	2,071	20,235	189,285	—
	Software in progress	45,105	148,450	192,055	—	1,500	—
	Telephone subscription right	1,889	—	—	—	1,889	—
	Total	66,531	340,505	194,126	20,235	192,674	—

Notes1: In the increase in the fiscal year ended Nov. 30, 2020, principal events are as follows:

Buildings: Transfer from real estate for sale in process (2 properties) ¥1,916,072 thousand
Structures: Transfer from real estate for sale in process (2 properties) ¥21,622 thousand
Land: Transfer from real estate for sale in process (2 properties) ¥2,442,213 thousand

2: In the decrease in the fiscal year ended Nov. 30, 2020, principal events are as follows:

Buildings: Transfer to real estate for sale in process (2 properties) ¥1,011,243 thousand
Land: Transfer to real estate for sale in process (2 properties) ¥1,993,065 thousand

[Detailed schedule of allowances]

(¥ thousand)

Category	Balance as of Dec. 1, 2019	Increase in the fiscal year ended Nov. 30, 2020	Decrease in the fiscal year ended Nov. 30, 2020	Balance as of Nov. 30, 2020
Allowance for doubtful accounts	21,506	153	20,708	950
Provision for bonuses	316,888	203,253	316,888	203,253

(2) Principal assets and liabilities

This information is omitted since the consolidated financial statements have been prepared.

(3) Others

No item to report.

VI. Outline of filing company's business concerning shares

Business year	From December 1 to November 30
Ordinary General Meeting of Shareholders	February
Record date	November 30
Record dates for dividends from surplus	May 31 November 30
Share unit number	100 shares
Purchase of shares less than one unit: Office for handling business Shareholder registry administrator Forwarding office Handling charge for purchase	 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation – No charge
Method of public notice	Electronic public notice will be made. URL for public notice: https://www.toseicorp.co.jp/ir/publicly/index.html However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun.
Special benefits for shareholders	Status of Shareholders eligible for the program (1) Shareholders eligible for the program Shareholders eligible for the program are those holding at least one trading unit (100 shares) of the Company's shares as of the record date November 30 of each fiscal year. (2) Details of the shareholder benefit program The Company's original QUO CARD, equivalent to 1,000 yen, shall be presented once a year. Note: Shareholders of shares listed on the Singapore Exchange market shall receive once a year a gift certificate (Capital Voucher) equivalent to 1,000 yen, valid in Singapore. (3) Delivery period The benefits are scheduled to be dispatched in late February of each year.

Notes: 1. Pursuant to the provisions of the Company's Articles of Incorporation, the Company's shareholders may not exercise any right, in relation to their holding shares less than one unit, other than the rights set forth in each of the following items:
(1) Rights set forth in each item of Article 189, paragraph 2 of the Companies Act
(2) A right to claim that is set forth in the provisions of Article 166, paragraph 1 of the Companies Act
(3) A right to receive allocation of shares and stock acquisition rights for subscription according to the number of shares held by shareholders

2. Due to the enforcement of the Act for Partial Revision of the Act on Transfer of Bonds, etc. for Achieving Rationalization of Settlements for Transactions of Shares, etc. and Other Acts (June 9, 2004, Act No. 88), treatment of shares including purchase and sale of shares less than one unit shall be conducted via securities brokers and other account management institutions in principle. However, shares recorded in special accounts are directly dealt with by Mitsubishi UFJ Trust and Banking Corporation , which is the account management institution of special accounts.

VII. Reference information on filing company

1. Information on filing company's parent company

Tosei does not have a parent company as described by the provisions of Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, Tosei has filed the following documents.

(1) Annual Securities Report and Appendices, and Confirmation Letter

70th term; from December 1, 2018 to November 30, 2019, filed to Director-General of Kanto Local Finance Bureau on February 27, 2020.

(2) Internal Control Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on February 27, 2020.

(3) Quarterly Securities Reports and Confirmation Letter

First quarter of the 71th term; from December 1, 2019 to February 29, 2020, filed to Director-General of Kanto Local Finance Bureau on April 10, 2020.
Second quarter of the 71th term; from March 1, 2020 to May 31, 2020, filed to Director-General of Kanto Local Finance Bureau on July 10, 2020.
Third quarter of the 71th term; from June 1, 2020 to August 31, 2020, filed to Director-General of Kanto Local Finance Bureau on October 9, 2020.

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on February 27, 2020.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on July 10, 2020.

Extraordinary Report based on Article 19, paragraph 2, item 2-12 and 2-19 (Matters occurred that significantly affects the financial position, operating results and cash flow of the Company and the Group) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on February 26, 2021.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Share buyback report

Filed to Director-General of Kanto Local Finance Bureau on May 11 2020, June 3 2020, July 6 2020, August 5 2020, September 3 2020, October 5 2020 and November 5 2020.

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

No items to report

Independent Auditors' Audit Report and Internal Control Audit Report

February 19, 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)

[Audit of Financial Statements]

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Accounting Section, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of cash flows 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 present fairly, in all material respects, the financial position of Tosei Corporation and consolidated subsidiaries as of November 30, 2020, and the consolidated results of their operations and their cash flows for the year then ended in conformity with the International Financial Reporting Standards, pursuant to the provisions of Article 93 of the Ordinance.

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 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 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

[Audit of Internal Control over Financial Reporting]

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Tosei Corporation as of November 30, 2020.
In our opinion, the Management's Report referred to above, which represents that the internal control over financial reporting as at November 30, 2020 of Tosei Corporation is effective, present fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and Audit & Supervisory Members for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Corporate auditors and Audit & Supervisory Members are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.
As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.
We also provide corporate auditors and Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in the custody of the Company as attachments to the financial statements.
*2. XBRL data is excluded from the scope of the audit.

* The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor's 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.

Independent Auditors' Audit Report

February 19, 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 the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Accounting Section, namely, the balance sheets and the related statements of operations and changes in net assets, the significant accounting policies, the other related notes and supplementary schedules of Tosei Corporation for the 71th fiscal year from December 1, 2019 to November 30, 2020.
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation as of November 30, 2020, and its financial performance for the year then ended 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.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1. The above is a digitization of the text contained in the original copy of the Audit Report, which is in the custody of the Company as attachments to the financial statements.
2. XBRL data is excluded from the scope of the audit.

* The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor's 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.

[Cover]

Document to be filed:	Management’s Report on Internal Control
Provisions to base upon:	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 26, 2021
Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
Title and name of representative:	Seiichiro Yamaguchi, President and CEO
Title and name of Chief Financial Officer	Noboru Hirano, Director and CFO
Location of head office:	4-2-3, Toranomon, Minato-ku, Tokyo, Japan
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of Internal Control Over Financial Reporting

Seiichiro Yamaguchi, President and CEO of TOSEI CORPORATION (the “Company”) and Noboru Hirano, CFO Senior Executive Officer of the Company, having the responsibility to design and operate internal control over financial reporting of the Company and its consolidated subsidiaries (hereinafter collectively, the “Group”), designs and operates such internal control of the Company in accordance with the basic framework set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was performed as of November 30, 2020(i.e., the last day of this fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the management first assessed company-level control which would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on such result, the management then selected the business processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

Management determined the scope of assessment of internal control over financial reporting, by selecting the Company, consolidated subsidiaries and companies accounted for by the equity method based on their materiality of impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the management reasonably determined the scope of assessment of process-level control based on the result of the company-level control assessment, which included the Company and its 5 significant consolidated subsidiaries.

For the purpose of determining the scope of process-level control assessment, 1 business location was selected as “Significant Business Locations”, which comprises the Company and its consolidated subsidiaries selected in descending order based on their fiscal year’s consolidated net sales (after elimination) and contributed approximately two-thirds of the Company’s consolidated net sales in the aggregate. Note that the management confirmed that the scope of internal control assessment was sufficient based on this fiscal year’s consolidated net sales. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company’s business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the Significant Business Locations, certain business processes related to significant accounts involving estimates and management’s judgment and business processes on businesses or operations in which transactions involving significant risks are conducted were added to the scope of assessment as “business processes with material impacts on financial reporting.”

3. Assessment Result

Based on the above mentioned assessment results, the management concluded that the internal control over financial reporting of the Group at the end of this fiscal year was effective.

4. Supplementary Information

None

5. Special Affairs

None