Quarterly Securities Report

(The English translation of the "Shihanki-Houkokusho"
for the second quarter of the 72nd term)

from March 1, 2021
to May 31, 2021

TOSEI CORPORATION

4-5-4, Shibaura, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on July 9, 2021. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

Table of Contents

Cover

A. Company Information 1
I. Overview of the Tosei Group 1
1. Trends in principal management benchmarks 1
2. Business description 1
II. Review of operations 2
1. Business and other risks 2
2. Management analysis of financial position, operating results and cash flows 2
3. Important operational contracts, etc. 5
III. Filing company 6
1. Information on the Company (Tosei)'s shares, etc. 6
(1) Total number of authorized shares, etc. 6
(2) Status of stock acquisition rights 6
(3) Exercise of bond certificates with stock acquisition rights with exercise price amendment clause 6
(4) Trends in total number of issued shares, share capital, etc. 6
(5) Status of major shareholders 7
(6) Status of voting rights 8
2. Status of Officers 8
IV. Accounting 9
1. Condensed Quarterly Consolidated Financial Statements 10
(1) Condensed Quarterly Consolidated Statement of Financial Position 10
(2) Condensed Quarterly Consolidated Statement of Comprehensive Income 11
(3) Condensed Quarterly Consolidated Statement of Changes in Equity 13
(4) Condensed Quarterly Consolidated Statement of Cash Flows 14
(5) Notes to Condensed Quarterly Consolidated Financial Statements 15
2. Other 22
B. Information on Guarantee Companies, etc. of Filing Company 22

[Quarterly Review Report of Independent Auditors]

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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

Term	71st term First six months	72nd term First six months	71st term
Accounting period	From December 1, 2019 to May 31, 2020	From December 1, 2020 to May 31, 2021	From December 1, 2019 to November 30, 2020
Revenue (¥ thousand) [Second quarter of the current fiscal year]	45,050,321 [21,581,741]	40,932,878 [15,831,288]	63,939,781
Profit before tax (¥ thousand)	1,890,888	8,959,674	5,901,313
Profit attributable to owners of the parent or Loss attributable to owners of the parent (¥ thousand) [Second quarter of the current fiscal year]	1,147,607 [(2,440,209)]	6,120,465 [3,040,929]	3,602,339
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	592,441	6,752,172	3,064,864
Total equity (¥ thousand)	56,661,791	64,585,183	58,969,524
Total assets (¥ thousand)	161,154,395	170,923,896	161,684,503
Basic earnings per share or Basic loss per share (¥) [Second quarter of the current fiscal year]	24.14 [(51.37)]	130.06 [64.74]	76.05
Diluted earnings per share (¥)	24.06	129.90	75.94
Ratio of equity attributable to owners of the parent to total assets (%)	35.2	37.7	36.5
Net cash from (used in) operating activities (¥ thousand)	7,411,348	8,803,715	12,509,792
Net cash from (used in) investing activities (¥ thousand)	(3,364,222)	(12,857,406)	(4,054,077)
Net cash from (used in) financing activities (¥ thousand)	(624,878)	2,043,057	(3,414,376)
Cash and cash equivalents at end of period (¥ thousand)	35,420,082	35,030,009	37,039,600

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the six months ended May 31, 2021, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

Changes in major subsidiaries and affiliates include the inclusion of TREC MOON LLC in the scope of consolidation, due to the acquisition of equity in the silent partnership in the first quarter.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the six months ended May 31, 2021. In addition, there were no significant changes in "Business and other risks" described in the annual securities report for the previous fiscal year.

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

Forward-looking statements included in this section are judged by information available to the Group's management as of May 31, 2021.

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

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

During the six months ended May 31, 2021, the Japanese economy continued to face a harsh environment due to the impact of COVID-19. While indications continue of an upturn in the domestic economy, it remains necessary to monitor factors such as economic downside risks due to the renewed spread of the virus in Japan and overseas, as well as movements in global financial markets.

In the real estate industry where Tosei Group operates, domestic real estate investments for the three months from January to March 2021 amounted to ¥1.2 trillion, decreasing by 28% year on year. However, Tokyo ranked second in the world ranking by city for the three months from January to March 2021, and it appears that investment demand remains high among overseas investors, who value Japan's highly stable real estate market. There are also signs of a recovery in the purchase and sale of office buildings, for which a decline in profitability was feared, and transactions are expected to be lively throughout 2021 (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of newly supplied units from January to April 2021 increased 57.5% year on year to 8,760 units. This appears to be the result of a rebound after a substantial decline under the state of emergency introduced in April last year. Since February 2021, the average contract rate for the first month has remained above the 70% threshold from which market conditions are viewed as favorable, and a steady recovery is underway. However, in the build-for-sale detached house market, housing starts for the three months from January to March 2021 numbered 12,000 units, a decrease of 6.0% year on year (according to a survey by a private research institute).

Regarding construction costs for the four months from January to April 2021, average costs per tsubo for reinforced concrete structure were ¥915 thousand per tsubo (1 tsubo = 3.30 square meters) (an increase of 0.1% year on year), and average costs per tsubo for wooden structure were ¥567 thousand (an increase of 0.4% year on year). The current increase in the price of steel materials due to the global economic recovery, particularly in China, has raised fears of a future hike in construction costs (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 average vacancy rate as of April 2021 was 5.65% (an increase of 4.09 percentage points year on year), against the backdrop of tenants cutting back on office space as a result of the spread of teleworking lifestyle in certain areas, and a slowdown in expansion. The average asking rent was ¥21,415 per tsubo (a decrease of ¥1,405 year on year), which has continued to fall from August 2020, and it remains necessary to monitor future trends in supply and demand (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock in April 2021 amounted to 6.60 million tsubo (an increase of 9.5% year on year). The vacancy rate was 0.5%. Although this was a slight increase from the level of 0.2% observed in January 2021, supply remains tight. The vacancy rate is expected to remain low, with leasing activity progressing strongly overall (according to a survey by a private research institute).

In the real estate fund market, the market scale continues to expand. J-REIT assets under management in April 2021 totaled ¥20.7 trillion (an increase of ¥1.0 trillion year on year) and assets under management in private placement funds totaled ¥22.5 trillion (as of December 2020, an increase of ¥2.3 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥43.2 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, the average guest room occupancy rate in the three months from

January to March 2021 was 33.6%, due to the continuing impact of COVID-19. The total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 7.04 million overnight stays (a decrease of 45.7% year on year). The environment is forecasted to remain harsh for the hotel market, despite the daily progress of vaccinations in Japan (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 detached houses and logistics facilities. In addition, the Group also proceeded with the acquisition of income-generating properties and various types of land for development as future sources of income.

As a result, consolidated revenue for the six months ended May 31, 2021 totaled ¥40,932 million (down 9.1% year on year), operating profit was ¥9,232 million (up 325.4%), profit before tax was ¥8,959 million (up 373.8%), and profit attributable to owners of the parent was ¥6,120 million (up 433.3%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2021, the segment sold 35 properties which had been renovated, including T's garden Kiyose (Kiyose-shi, Tokyo), Ichikawashimamura Building (Ichikawa-shi, Chiba), Tokyo-interior Minamiaoyama Building (Minato-ku, Tokyo). In addition, the segment sold one unit in the Restyling Business from Rune Kamakura Ueki Residence (Kamakura-shi, Kanagawa).

It also acquired a total of 21 income-generating office buildings, apartments and a logistic facility for renovation and sales purposes and two land lots.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of inventories valuation loss of ¥895 million.

As a result, revenue in this segment was ¥24,185 million (down 12.6% year on year) and the segment profit was ¥6,437 million (up 15.7%).

Development Business

During the six months ended May 31, 2021, the segment sold a new logistic facility T's Logi Hasuda (Hasuda-shi, Saitama) and a new commercial facility THE Palms Sagamihara Park Brighter (Store section) (Sagamihara-shi, Kanagawa). In addition, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 41 detached houses at such properties as THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa) and THE Palms Court Hibarigaoka (Nishitokyo-shi, Tokyo).

During the six months ended May 31, 2021, it also acquired one land lot for logistic facility project, one land lot for commercial facility project, two land lots for income-generating office buildings and land lots for 56 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of inventories valuation loss of ¥255 million.

As a result, revenue in this segment was ¥9,043 million (down 8.8% year on year) and the segment profit was ¥1,211 million (in comparison with segment loss of ¥4,720 million in the same period of the previous fiscal year).

Rental Business

During the six months ended May 31, 2021, while the segment sold 19 buildings of its inventory assets held for leasing purposes, it newly acquired 14 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its holding non-current assets and inventory assets.

As a result, revenue in this segment was ¥2,760 million (up 1.0% year on year) and the segment profit was ¥1,447 million (up 39.3%).

Fund and Consulting Business

During the six months ended May 31, 2021, while ¥191,799 million was added due to new asset management contracts, ¥59,405 million was subtracted due mainly to property dispositions by funds, from the balance of assets under management (Note) ¥1,123,406 million for the end of the previous fiscal year.

The balance of assets under management as of May 31, 2021, was ¥1,255,800 million.

As a result, revenue in this segment was ¥2,271 million (up 4.2% year on year) and the segment profit was ¥1,565 million (up 5.7%).

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

Property Management Business

During the six months ended May 31, 2021, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 701 as of May 31, 2021, an increase of 12 from May 31, 2020, with the total comprising 452 office buildings, hotels, logistic facilities and other such properties, and 249 condominiums and apartments.

As a result, revenue in this segment was ¥2,509 million (up 10.4% year on year) and segment profit was ¥421 million (up 18.9%).

Hotel Business

During the six months ended May 31, 2021, the Group endeavored to improve occupancy ratios, but conditions remained harsh due to the renewed spread of COVID-19, with the temporary closure of some hotels.

As a result, revenue in this segment was ¥161 million (down 40.0% year on year) and segment loss was ¥408 million (in comparison with segment loss of ¥458 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

Consolidated revenue for the six months ended May 31, 2021 was ¥40,932 million, accounting for approximately 60% of the full-year revenue plan, and profit before tax was ¥8,959 million, significantly above the full-year profit plan of ¥8,001 million.

Revenue in the Revitalization Business only slightly exceeded the first half plan, but the profit margin was substantially higher than projected at the beginning of the fiscal year, and operating profit amounted to ¥6,437 million, compared to the full-year operating profit plan of ¥5,101 million. This was primarily due to a recovery in the real estate investment market in the Tokyo metropolitan area, which is the Group's main market, to pre-COVID-19 levels, and the sale of entire income-generating properties to investors for a higher profit margin than anticipated. In particular, overall profit was driven by the sale of several large properties that had appreciated in value due to renovation and improved occupancy rates, for around ¥2.0 billion each. Profit was also boosted by the reversal of Inventories valuation loss, recorded in the previous fiscal year, due to a recovery in market conditions.

In the Development Business, the profit margin was slightly higher than projected at the beginning of the fiscal year, with the completed sales of one large-scale logistics facility and one commercial facility, for which sale was planned during the fiscal year. Revenue and gross profit accounted for around 70% of the full-year plan established at the beginning of the fiscal year, and operating profit reached 138% of the full-year plan. Only sales of detached houses are planned for the second half of the fiscal year.

The Group is also strengthening purchasing activities that will provide a source of income in the next fiscal year and beyond. In addition to entire office buildings and apartment blocks of around ¥1.0 billion targeting investors, in which the Group specializes, it acquired other properties such as logistics facilities and large-scale offices, for which fund investor demand is high. With diverse exit strategies and value regeneration expertise, the Group's strength lies in its ability to commercialize low-occupancy properties and vacant properties, which other companies find it difficult to approach. Despite a persistently harsh purchasing environment, the Group is progressing smoothly towards achieving its goal of acquiring properties with an anticipated selling value of ¥80.0 billion.

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 obvious decline, despite the COVID-19 crisis, and progress was made according to plan. In the Fund and Consulting Business, the balance of assets under management reached the year-end target of ¥1.2 trillion, half a year ahead of schedule, capturing strong demand from overseas investors. Income from asset management fees grew steadily in proportion to the balance of assets under management. Income from the Property Management Business was also steady. There was no recovery in accommodation sales in the Hotel Business, however, due to the impact of the COVID-19 crisis, and operating loss in this segment exceeded projections.

(2) Analysis of Financial Positions

As of May 31, 2021, total assets were ¥170,923 million, an increase of ¥9,239 million compared with November 30, 2020, while total liabilities were ¥106,338 million, an increase of ¥3,623 million.

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

Total equity increased by ¥5,615 million to ¥64,585 million, mainly due to an increase in retained earnings, payment of cash dividends.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") as of May 31, 2021 totaled ¥35,030 million, down ¥2,009 million compared with November 30, 2020.

The cash flows for the six months ended May 31, 2021 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥8,803 million (up 18.8% year on year). This is mainly due to profit before tax of ¥8,959 million, a decrease in inventories of ¥2,321 million, a decrease in trade and other payables of ¥2,055 million and income taxes paid of ¥1,609 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥12,857 million (up 282.2% year on year). This is primarily due to purchase of investment properties of ¥12,052 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥2,043 million (in comparison with segment net cash used in financing activities of ¥624 million in the same period of the previous fiscal year). This mainly reflects ¥27,502 million in proceeds from non-current borrowings, despite ¥26,420 million in the repayments of non-current borrowings and ¥895 million in cash dividends paid.

(4) Operational and financial issues to be addressed

During the six months ended May 31, 2021, there was no significant change in issues to be addressed by the Tosei Group.

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

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

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

III. Filing company

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

(1) Total number of authorized shares, etc.

1) Total number of authorized shares

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

2) Number of shares issued

Class	Number of issued shares (Shares: as of May 31, 2021)	Number of issued shares (Shares: as of the date of filing: July 9, 2021)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,683,800	48,683,800	–	–

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

2) Details of other stock acquisition rights, etc.

No item to report.

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

No item to report.

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

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From March 1, 2021 to May 31, 2021	—	48,683,800	—	6,624,890	—	6,708,366

(5) Status of major shareholders

(As of May 31, 2021)

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	27.51
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	2,324,100	4.96
QUINTET PRIVATE BANK (EUROPE) S.A. 107704 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	43, Boulevard Royal, L-2955 Luxembourg (2-15-1 Konan, Minato-ku, Tokyo, Japan)	1,854,500	3.96
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)	1,758,100	3.75
Government of NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	1,468,800	3.13
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,244,300	2.65
NORTHERN TRUST CO. (AVCF) REIEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT (Standing proxy: Hongkong And Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi,Chuo-ku, Tokyo, Japan)	633,700	1.35
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co.)	25 Cabot Square, Canary Wharf, London E14 4QA, U.K (1-9-7Otemachi,Chiyoda-ku,Tokyo, Japan)	608,486	1.29
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement &cleaning Services Division)	P.O.BOX351BOSTONMASSACHUSETTS 02101, U.S.A (2-15-1, Konan, Minato-ku, Tokyo, Japan	563,566	1.20
Total	–	29,341,052	62.65

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 (1,856,922 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 May 26, 2021, SAMARANNG UCITS held the following shares as of May 19, 2021. However, since the Company could not confirm the actual number of shares held by this company as of May 31, 2021, the company was not included in the status of major shareholders described above.

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

Large volume holder	SAMARANNG UCITS
Address	11a Avenue Monterey L-2163 Luxembourg
Number of share certificates, etc. held (Share)	2,030,500
Holding ratio of share certificates, etc. (%)	4.17

(6) Status of voting rights

1) Issued shares

(As of May 31, 2021)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 1,856,900	–	–
Shares with full voting rights (Other)	Ordinary shares 46,822,400	468,224	–
Shares less than one unit	Ordinary shares 4,500	–	–
Total number of issued shares	48,683,800	–	–
Voting rights owned by all shareholders	–	468,224	–

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

2. Number of ordinary shares in "Shares less than one unit" includes 22 shares of treasury shares.

2) Treasury shares, etc.

(As of May 31, 2021)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
(Treasury shares held) TOSEI CORPORATION	4-5-4, Shibaura, Minato-ku, Tokyo, Japan	1,856,900	–	1,856,900	3.81
Total	–	1,856,900	–	1,856,900	3.81

Note: At the board of directors meeting held on January 25, 2021, the Company resolved the acquisition of treasury shares from February 1, 2021 to July 31, 2021, and the Company acquired 349,500 treasury shares. As a result, the total number of treasury shares was 1,856,922 shares as of May 31, 2021.

2. Status of Officers

There was change in Officers during the six months ended May 31, 2021 after the filing date of annual securities report for the previous fiscal year is as follows.

Change of position

New Post	Old Post	Name	Date of Change
Director,Senior Managing Executive Officer, Chief of Business Division and in charge of Asset Solution Department 4 and Asset Solution Business Promotion	Director,Managing Executive Officer,Deputy Chief of Business Division and in charge of Asset Solution Department 4 of the Company	Hideki Nakanishi	March 1, 2021
Director, Executive Officer in charge of Finance Department and General Affairs Department	Director, Executive Officer in charge of Finance Department, General Affairs Department, and DX Promotion Department	Shunsuke Yamaguchi	March 1, 2021

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

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

2. Audit attestation

The condensed quarterly consolidated financial statements for the second quarter of the fiscal year ending November 30, 2021 (from March 1, 2021 to May 31, 2021) and for the first six months of the fiscal year ending November 30, 2021 (from December 1, 2020 to May 31, 2021) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2020	As of May 31, 2021
Assets			
Current assets			
Cash and cash equivalents	10	37,039,600	35,030,009
Trade and other receivables	10	3,192,248	3,411,452
Inventories	6	65,416,925	63,538,765
Other current assets		15,298	15,337
Total current assets		105,664,073	101,995,565
Non-current assets			
Property, plant and equipment		23,495,129	20,898,349
Investment properties		26,987,387	41,529,043
Intangible assets		209,663	197,738
Trade and other receivables	10	779,470	997,953
Other financial assets	10	3,972,309	4,844,617
Deferred tax assets		572,454	456,614
Other non-current assets		4,014	4,014
Total non-current assets		56,020,429	68,928,331
Total assets		161,684,503	170,923,896
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	5,466,127	3,931,591
Borrowings	10	11,794,730	12,209,001
Current income tax liabilities		925,671	2,341,645
Provisions		600,264	359,523
Total current liabilities		18,786,795	18,841,762
Non-current liabilities			
Trade and other payables	10	3,649,593	3,500,570
Borrowings	10	79,192,778	82,717,911
Retirement benefits obligations		546,421	558,461
Provisions		7,129	7,210
Deferred tax liabilities		532,260	712,796
Total non-current liabilities		83,928,183	87,496,950
Total Liabilities		102,714,978	106,338,712
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,627,004	6,638,938
Retained earnings		47,442,372	52,666,418
Treasury shares		(1,500,055)	(1,872,162)
Other components of equity		(224,688)	407,105
Total equity attributable to owners of parent		58,969,524	64,465,190
Non-controlling interests		—	119,993
Total equity		58,969,524	64,585,183
Total liabilities and equity		161,684,503	170,923,896

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income
Six months ended May 31, 2021

(¥ thousand)

	Notes	Six months ended May 31, 2020	Six months ended May 31, 2021
Revenue	5,7	45,050,321	40,932,878
Cost of revenue		38,217,330	27,143,570
Gross profit		6,832,990	13,789,307
Selling, general and administrative expenses		4,659,988	4,603,725
Other income		20,797	114,657
Other expenses		23,321	67,394
Operating profit	5	2,170,478	9,232,845
Finance income		97,505	135,891
Finance costs		377,095	409,062
Profit before tax		1,890,888	8,959,674
Income tax expense		743,281	2,836,815
Profit for the period		1,147,607	6,122,858
Other comprehensive income			
Other comprehensive income items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		(542,868)	630,430
Subtotal		(542,868)	630,430
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(11,633)	12,722
Net change in fair values of cash flow hedges		(664)	(11,445)
Subtotal		(12,298)	1,276
Other comprehensive income for the period, net of tax		(555,166)	631,706
Total comprehensive income for the period		592,441	6,754,565
Profit attributable to:			
Owners of the parent		1,147,607	6,120,465
Non-controlling interests		—	2,393
Profit for the period		1,147,607	6,122,858
Total comprehensive income attributable to:			
Owners of the parent		592,441	6,752,172
Non-controlling interests		—	2,393
Total comprehensive income for the period		592,441	6,754,565
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	24.14	130.06
Diluted earnings per share (¥)	9	24.06	129.90

Second quarter ended May 31, 2021

(¥ thousand)

	Notes	Second quarter ended May 31, 2020	Second quarter ended May 31, 2021
Revenue	5	21,581,741	15,831,288
Cost of revenue		22,531,684	8,871,887
Gross profit or loss		(949,943)	6,959,400
Selling, general and administrative expenses		2,408,278	2,351,053
Other income		14,571	50,856
Other expenses		21,035	66,811
Operating profit or loss	5	(3,364,684)	4,592,391
Finance income		97,078	112,756
Finance costs		201,015	213,976
Profit before tax or loss before tax		(3,468,621)	4,491,171
Income tax expense		(1,028,411)	1,447,586
Profit or loss for the period		(2,440,209)	3,043,584
Other comprehensive income			
Other comprehensive income items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		(246,250)	291,590
Subtotal		(246,250)	291,590
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(6,926)	7,227
Net change in fair values of cash flow hedges		24,608	(10,026)
Subtotal		17,682	(2,799)
Other comprehensive income for the period, net of tax		(228,568)	288,791
Total comprehensive income for the period		(2,668,777)	3,332,375
Profit or loss attributable to:			
Owners of the parent		(2,440,209)	3,040,929
Non-controlling interests		—	2,655
Profit or loss for the period		(2,440,209)	3,043,584
Total comprehensive income attributable to:			
Owners of the parent		(2,668,777)	3,329,720
Non-controlling interests		—	2,655
Total comprehensive income for the period		(2,668,777)	3,332,375
Earnings or loss per share attributable to owners of the parent			
Basic earnings per share or Basic loss per share (¥)	9	(51.37)	64.74
Diluted earnings per share (¥)	9	—	64.66

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(¥ thousand)

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

Six months ended May 31, 2021 (December 1, 2020 – May 31, 2021)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at December 1, 2020		6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524	—	58,969,524
Profit for the period				6,120,465			6,120,465	2,393	6,122,858
Other comprehensive income						631,706	631,706		631,706
Total comprehensive income for the period		—	—	6,120,465	—	631,706	6,752,172	2,393	6,754,565
Amount of transactions with owners									
Purchase of treasury shares			(258)		(373,109)		(373,368)		(373,368)
Disposal of treasury shares			117		1,003		1,120		1,120
Dividends of surplus	8			(896,333)			(896,333)		(896,333)
Change from newly consolidated subsidiary							—	117,600	117,600
Transfer from other components of equity to retained earnings				(86)		86	—		—
Share-based payment			12,075				12,075		12,075
Balance at May 31, 2021		6,624,890	6,638,938	52,666,418	(1,872,162)	407,105	64,465,190	119,993	64,585,183

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Six months ended May 31, 2020	Six months ended May 31, 2021
Cash flows from operating activities			
Profit before tax		1,890,888	8,959,674
Depreciation expense		577,024	742,936
Increase (decrease) in provisions and retirement benefits obligations		(310,955)	(234,106)
Interest and dividend income		(97,505)	(135,891)
Interest expenses		377,095	409,062
Decrease (increase) in trade and other receivables		1,072,016	(76,930)
Decrease (increase) in inventories		6,602,348	2,321,590
Increase (decrease) in trade and other payables		(904,300)	(2,055,535)
Other, net		17,425	(9,331)
Subtotal		9,224,037	9,921,468
Interest and dividend income received		49,042	137,902
Income taxes paid		(1,861,730)	(1,609,761)
Income taxes refund		—	354,107
Net cash from (used in) operating activities		7,411,348	8,803,715
Cash flows from investing activities			
Purchase of property, plant and equipment		(136,817)	(839,047)
Purchase of investment properties		(3,136,164)	(12,052,748)
Purchase of intangible assets		(111,071)	(12,124)
Collection of loans receivable		109,815	42
Purchase of other financial assets		(147,700)	(62,053)
Collection of other financial assets		57,716	104,194
Other, net		—	4,330
Net cash from (used in) investing activities		(3,364,222)	(12,857,406)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		(1,798,000)	2,876,000
Proceeds from non-current borrowings		29,245,600	27,502,650
Repayments of non-current borrowings		(25,215,317)	(26,420,134)
Repayments of lease obligations		(124,635)	(120,339)
Proceeds from issuance of new shares		31,681	—
Capital contribution from non-controlling interests		—	117,600
Cash dividends paid		(1,995,818)	(895,469)
Purchase of treasury shares		(288,063)	(373,109)
Proceeds from disposal of treasury shares		—	1,006
Interest expenses paid		(480,325)	(645,146)
Net cash from (used in) financing activities		(624,878)	2,043,057
Net increase (decrease) in cash and cash equivalents		3,422,248	(2,010,633)
Cash and cash equivalents at beginning of period		31,998,929	37,039,600
Effect of exchange rate change on cash and cash equivalents		(1,094)	1,042
Cash and cash equivalents at end of period		35,420,082	35,030,009

(5) Notes on Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the second quarter (March 1, 2021 to May 31, 2021) and first six months (December 1, 2020 to May 31, 2021) have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business , Property Management Business and Hotel Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

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

These condensed quarterly consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on July 6, 2021.

(2) Basis of measurement

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

(3) Presentation currency and unit amount

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

3. Significant accounting policies

Significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

4. Significant accounting estimates and judgments requiring estimates

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

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

Effect of the Spread of COVID-19 on Accounting Estimates

In determining accounting estimates regarding the valuation of inventory assets, impairment accounting for non-current assets, the recoverability of deferred tax assets, and other items, the Group has assumed that the spread of COVID-19 will exert a degree of impact on future income.

The Group considers that real estate markets other than hotels and commercial facilities are already recovering as of May 31,2021. It predicts that the impact of COVID-19 on hotels and commercial facilities will persist for the time being, and that it will be next fiscal year or later before a recovery takes place.

In view of this situation, during the six months ended May 31, 2021, the Group has altered some

assumptions, etc. underlying accounting estimates concerning items such as the valuation of some inventory assets and non-current assets.

5. Segment information

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

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

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

Six months ended May 31, 2020

(December 1, 2019 – May 31, 2020)

(¥ thousand)

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

Six months ended May 31, 2021

(December 1, 2020 – May 31, 2021)

(¥ 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	24,185,920	9,043,204	2,760,865	2,271,615	2,509,846	161,424	—	40,932,878
Intersegment revenue	—	—	26,573	6,757	653,834	50	(687,215)	—
Total	24,185,920	9,043,204	2,787,439	2,278,373	3,163,681	161,474	(687,215)	40,932,878
Segment profit or loss	6,437,315	1,211,348	1,447,111	1,565,707	421,904	(408,294)	(1,442,247)	9,232,845
Finance income/costs, net								(273,171)
Profit before tax								8,959,674

Second quarter ended May 31, 2020

(March 1, 2020 – May 31, 2020)

(¥ thousand)

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

Second quarter ended May 31, 2021

(March 1, 2021 – May 31, 2021)

(¥ 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	9,888,145	1,852,614	1,378,686	1,332,908	1,300,085	78,848	—	15,831,288
Intersegment revenue	—	—	15,130	3,705	303,218	—	(322,054)	—
Total	9,888,145	1,852,614	1,393,816	1,336,613	1,603,303	78,848	(322,054)	15,831,288
Segment profit or loss	3,196,303	556,286	718,398	949,158	208,446	(190,006)	(846,196)	4,592,391
Finance income/costs, net								(101,220)
Profit before tax								4,491,171

6. Inventories

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

(¥ thousand)

	Six months ended May 31, 2020	Six months ended May 31, 2021
The amount of loss on valuation	7,682,876	―
The amount of reversal of valuation loss	26,466	1,570,237

7. Sales Revenue

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

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

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

Six months ended May 31, 2020

(December 1, 2019 – May 31, 2020)

(¥ thousand)

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

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

Six months ended May 31, 2021

(December 1, 2020 – May 31, 2021)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	24,185,920	9,005,569	―	―	―	―	33,191,490
Revenue from services	―	37,634	322,806	2,265,353	2,509,846	108,099	5,243,740
Revenue recognized from other sources	―	―	2,438,059	6,262	―	53,325	2,497,647
Total	24,185,920	9,043,204	2,760,865	2,271,615	2,509,846	161,424	40,932,878

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

8. Dividends

Dividends paid in the six months ended May 31, 2020 and May 31, 2021 are as follows:

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

Six months ended May 31, 2021				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2021	19	896,333	November 30, 2020	February 26, 2021

9. Earnings per Share

	Six months ended May 31, 2020	Six months ended May 31, 2021
Profit attributable to owners of the parent (¥ thousand)	1,147,607	6,120,465
Net income used to figure diluted net income per share (¥ thousand)	1,147,607	6,120,465
Weighted average number of outstanding ordinary shares (shares)	47,545,895	47,058,545
The number of increased ordinary shares used to figure diluted earnings per share (shares)	153,757	58,421
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,699,652	47,116,966
Basic earnings per share (¥)	24.14	130.06
Diluted net income per share (¥)	24.06	129.90

	Second quarter ended May 31, 2020	Second quarter ended May 31, 2021
Profit attributable to owners of the parent or Loss attributable to owners of the parent (¥ thousand)	(2,440,209)	3,040,929
Net income used to figure diluted net income per share or Net loss used to figure diluted net income per share (¥ thousand)	(2,440,209)	3,040,929
Weighted average number of outstanding ordinary shares (shares)	47,506,195	46,970,903
The number of increased ordinary shares used to figure diluted earnings per share (shares)	135,818	57,000
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,642,013	47,027,903
Basic earnings per share or Basic loss per share (¥)	(51.37)	64.74
Diluted net income per share (¥)	—	64.66

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

10. Financial instruments

i) Fair values and book values

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

(¥ thousand)

	As of November 30, 2020		As of May 31, 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	37,039,600	37,039,600	35,030,009	35,030,009
Trade and other receivables	3,003,105	3,003,105	2,844,841	2,844,841
Financial assets measured at fair value through other comprehensive income				
Other financial assets	3,603,838	3,603,838	4,481,529	4,481,529
Financial assets measured at fair value through profit or loss				
Other financial assets	368,471	368,471	363,087	363,087
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	6,414,729	6,414,729	6,231,227	6,231,227
Borrowings	90,987,508	90,983,844	94,926,913	94,922,626

Method for measuring fair value of financial instruments

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

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

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

Other financial assets

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

Non-current borrowings

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

ii) Fair value hierarchy

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

Level 1: Fair values measured at a price quoted in an active market
Level 2: Fair values calculated directly or indirectly using an observable price except for level 1
Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

(¥ thousand)

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

	As of May 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	4,347,316	—	134,213	4,481,529
Financial assets measured at fair values through profit or loss	—	—	363,087	363,087
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	46,707	—	46,707

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

(¥ thousand)

	Six months ended May 31, 2020	Six months ended May 31, 2021
Balance at beginning of period	490,206	535,680
Acquisition	147,700	62,053
Comprehensive income		
Profit (loss)	1,497	—
Other comprehensive income	(1,548)	△2,008
Disposal	(56,100)	△98,425
Balance at end of period	581,754	497,300

11. Significant subsequent events

No item to report.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

July 6, 2021

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Auditor's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed quarterly consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the second quarter (March 1, 2021 to May 31, 2021) and the first six-month period (December 1, 2020 to May 31, 2021) of the fiscal year from December 1, 2020 to November 30, 2021.

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting," under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan, and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of May 31, 2021, and the consolidated results of their operations and their cash flows for the six-month period then ended.

Basis for Auditor's Conclusion

We conducted a quarterly review in conformity with quarterly review standards generally accepted in Japan. Our responsibility under the quarterly review standards is described in "Auditor's Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements." In accordance with the professional ethics regulations in Japan, we are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor. We believe that we have obtained the evidence to provide a basis for our conclusion.

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

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in conformity with International Accounting Standard 34 "Interim Financial Reporting." This includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management evaluates whether it is appropriate to prepare the condensed quarterly consolidated financial statements based on a going concern assumption, and is responsible for disclosing any matters as a going concern that require

disclosure pursuant to Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.”
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of duties by Directors in designing, implementing and maintaining a financial reporting process.

Auditor’s Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor.

We will make professional judgments throughout the quarterly review process in conformity with the quarterly review standards generally accepted in Japan, and carry out the following with professional skepticism.

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.
- If material uncertainties related to events or conditions that may cast significant doubt upon going concern assumption are recognized, conclude whether nothing comes to attention that causes us to believe that the documents are not fairly presented based on the evidence obtained in the condensed quarterly consolidated financial statements in conformity with Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.” In addition, if material uncertainties regarding going concern assumption are recognized, the quarterly review report shall refer to the notes to the condensed quarterly consolidated financial statements, or, if material uncertainties stated in the notes to the condensed quarterly consolidated financial statements are inadequate, we are required to express qualified or adverse conclusions on the condensed quarterly consolidated financial statements. The auditor’s conclusions are based on evidence obtained by the quarterly review reporting date, but future events and circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether nothing comes to attention that causes us to believe that the presentation and notes to the condensed quarterly consolidated financial statements do not comply with International Accounting Standard 34 “Interim Financial Reporting,” or that the presentation, composition and contents of the condensed quarterly consolidated financial statements including related notes as well as the transactions and accounting events underlying the condensed quarterly consolidated financial statements are not fairly presented.
- Obtain evidence regarding financial information of the Company and its consolidated subsidiaries to express a conclusion on the condensed quarterly consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the quarterly review of the condensed quarterly consolidated financial statements, and is solely responsible for its conclusion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned quarterly review and material findings in the quarterly review.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with Japan’s professional ethics regulations regarding independence as well as on matters that are reasonably considered to affect the independence of the auditor, and the content of safeguards, if any, taken in order to eliminate or mitigate disincentives.

Interest

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

End

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

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

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