

# Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”  
for the third quarter of the 72nd term)

from June 1, 2021  
to August 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 October 8, 2021. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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[Quarterly Review Report of Independent Auditors]

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Company name (English):	TOSEI CORPORATION
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## A. Company Information

### I. Overview of the Tosei Group

#### 1. Trends in principal management benchmarks

Term	71th term First nine months	72st term First nine months	71th term
Accounting period	From December 1, 2019 to August 31, 2020	From December 1, 2020 to August 31, 2021	From December 1, 2019 to November 30, 2020
Revenue (¥ thousand) [Third quarter of the current fiscal year]	56,309,557 [11,259,235]	52,311,732 [11,378,854]	63,939,781
Profit before tax (¥ thousand)	4,157,004	10,489,319	5,901,313
Profit attributable to owners of the parent (¥ thousand) [Third quarter of the current fiscal year]	2,468,734 [1,321,127]	7,076,939 [956,473]	3,602,339
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	1,885,900	7,793,345	3,064,864
Total equity (¥ thousand)	57,749,888	65,391,211	58,969,524
Total assets (¥ thousand)	159,892,103	174,984,367	161,684,503
Basic earnings per share (¥) [Third quarter of the current fiscal year]	52.05 [27.98]	150.71 [20.46]	76.05
Diluted earnings per share (¥)	51.93	150.50	75.94
Ratio of equity attributable to owners of the parent to total assets (%)	36.1	37.4	36.5
Net cash from (used in) operating activities (¥ thousand)	10,858,890	4,177,140	12,509,792
Net cash from (used in) investing activities (¥ thousand)	(4,258,853)	(13,074,046)	(4,054,077)
Net cash from (used in) financing activities (¥ thousand)	(2,771,840)	4,229,163	(3,414,376)
Cash and cash equivalents at end of period (¥ thousand)	35,826,440	32,372,677	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 nine months ended August 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.

With regard to changes in major subsidiaries and affiliates, TREC MOON LLC was included in the scope of consolidation, due to the acquisition of equity in the silent partnership in the first quarter of the fiscal year under review. However, it was removed from the scope of consolidation in the third quarter of the fiscal year under review for the reason that the said investment was redeemed.

## II. Review of operations

### 1. Business and other risks

There were no business and other risks that newly arose during the nine months ended August 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 August 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 nine months ended August 31, 2021, the Japanese economy continued to face a harsh environment due to the impact of COVID-19. While there are indications of an upturn in the domestic economy, as evidenced by a 1.3% year-on-year increase in the real gross domestic product (GDP) in the period from April to June 2021 on an annualized basis, it remains necessary to monitor factors such as economic downside risks due to the renewed spread of the virus in Japan since July 2021, as well as movements in global financial markets.

In the real estate industry where Tosei Group operates, domestic real estate investments for the six months from January to June 2021 amounted to ¥1.8 trillion, decreasing by 29% year on year. Although demand for investment in real estate by domestic and overseas investors continues to be strong, the decrease in investment opportunities, particularly the lack of large-scale transactions due to the shortage of properties for sale in the market, is regarded as the reason for the slump. Tokyo fell to fourth place in the world ranking by city for the six months from January to June 2021 (ranked first in the same period of the previous fiscal year); however, transactions are expected to recover in the second half of the year, and real estate investments for 2021 are estimated to remain largely unchanged from the previous fiscal year at approximately ¥4.3 trillion (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of newly built units from January to July 2021 increased 59.1% year on year to 15,229 units as the result of a rebound after a substantial decline under the state of emergency introduced last year. As a result, the number of supplied units has increased to the level seen in 2019 (15,368 units supplied in the same period in 2019). The average contract rate for the first month has also remained at around the 70% threshold from which market conditions are viewed as favorable, thereby indicating a robust market. In addition, in the Tokyo metropolitan area pre-owned condominium market, the number of units contracted from January to July 2021 increased 23.6% year on year to 24,284 units. However, in the build-for-sale detached house market, housing starts for the seven months from January to July 2021 numbered 32,000 units (down 1.6% year on year), remaining largely unchanged from the same period of the previous fiscal year (according to a survey by a private research institute).

Regarding construction costs for the seven months from January to July 2021, average costs per tsubo for reinforced concrete structure were ¥955 thousand per tsubo (1 tsubo = 3.30 square meters) (an increase of 5.0% year on year), and average costs per tsubo for wooden structure were ¥567 thousand (a decrease of 0.1% year on year). The current increase in the price of steel materials due to the global economic recovery following widespread COVID-19 vaccinations, and the upsurge in timber prices caused by the sharp increase in global demand for timber known as “wood shock” have 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 July 2021 was 6.28% (an increase of 3.51 percentage points year on year), against the backdrop of tenants cutting back on office space as a result of a slowdown in expansion of office space and the spread of teleworking lifestyle in certain areas. The average asking rent was ¥21,045 per tsubo (a decrease of ¥1,969 year on year), demonstrating a downturn in the office leasing market in the Tokyo metropolitan area, 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 July 2021 amounted to 6.86 million tsubo (an increase of 11.7% year on year). The vacancy rate was 1.3%. Although this was an increase from the level of 0.5% observed in April 2021, rising to the 1% level, supply and demand remain tight. Leasing demand is expected to remain firm for the time being, despite an easing in the extraordinary demand stemming from COVID-19 pandemic (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 July 2021 totaled ¥20.9 trillion (an increase of ¥1.1 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 ¥43.4 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, the average guest room occupancy rate in the five months from January to May 2021 was 34.5% (84.2% in the same period of the fiscal year ended November 30, 2019), due to the continuing impact of COVID-19. The total number of hotel guests in Tokyo encompassing all types of accommodation in the five months from January to May 2021 amounted to 12.05 million overnight stays (31.74 million overnight stays in the same period of the fiscal year ended November 30, 2019). 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 nine months ended August 31, 2021 totaled ¥52,311 million (down 7.1% year on year), operating profit was ¥10,965 million (up 136.1%), profit before tax was ¥10,489 million (up 152.3%), and profit attributable to owners of the parent was ¥7,076 million (up 186.7%).

Performance by business segment is shown below.

### **Revitalization Business**

During the nine months ended August 31, 2021, the segment sold 41 properties which had been renovated, including Kannai Tosei Building III (Yokohama-shi, Kanagawa), T's garden Kiyose (Kiyose-shi, Tokyo), Ichikawashimamura Building (Ichikawa-shi, Chiba). In addition, the segment sold three unit in the Restyling Business from Isarakoplace Residence (Minato-ku, Tokyo), Rune Kamakura Ueki Residence (Kamakura-shi, Kanagawa).

It also acquired a total of 25 properties including, 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 ¥563 million.

As a result, revenue in this segment was ¥30,060 million (down 0.9% year on year) and the segment profit was ¥7,239 million (up 25.4%).

### **Development Business**

During the nine months ended August 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 66 detached houses at such properties as THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa) and THE Palms Court Hibarigaoka (Nishitokyo-shi, Tokyo).

During the nine months ended August 31, 2021, it also acquired two land lots for logistic facility projects, one land lot for apartment project, one land lot for commercial facility project, three land lots for income-generating office buildings and land lots for 58 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of inventories valuation loss of ¥268 million.

As a result, revenue in this segment was ¥10,487 million (down 26.6% year on year) and the segment

profit was ¥1,280 million (in comparison with segment loss of ¥3,855 million in the same period of the previous fiscal year).

### **Rental Business**

During the nine months ended August 31, 2021, while the segment sold 22 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 holding non-current assets and inventory assets.

As a result, revenue in this segment was ¥3,992 million (down 6.0% year on year) and the segment profit was ¥2,016 million (up 20.2%).

### **Fund and Consulting Business**

During the nine months ended August 31, 2021, while ¥257,891 million was added due to new asset management contracts, ¥66,561 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 August 31, 2021, was ¥1,314,736 million.

As a result, revenue in this segment was ¥3,624 million (down 2.0% year on year) and the segment profit was ¥2,456 million (down 8.2%).

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

### **Property Management Business**

During the nine months ended August 31, 2021, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 708 as of August 31, 2021, an increase of 16 from August 31, 2020, with the total comprising 456 office buildings, hotels, logistic facilities and other such properties, and 252 condominiums and apartments.

As a result, revenue in this segment was ¥3,831 million (up 11.9% year on year) and segment profit was ¥616 million (up 10.3%).

### **Hotel Business**

During the nine months ended August 31, 2021, the Group opened TOSEI HOTEL COCONE Asakusa in July 2021. Despite endeavors including the improvement of occupancy rates at existing hotels, 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 ¥314 million (down 2.9% year on year) and segment loss was ¥622 million (in comparison with segment loss of ¥733 million in the same period of the previous fiscal year).

## **2) Analysis and contents for discussion of Operating Results**

On July 5, 2021, the Group announced an upward profit revision in its full-year earnings forecast for the fiscal year ending November 30, 2021.

In the third quarter, business continued to perform well. In particular, as a result of a focus during the nine months ended August 31, 2021 primarily on purchasing activities that will provide a source of income in the next fiscal year and beyond, real estate renovation, and new asset management contracts, consolidated revenue for the nine months ended August 31, 2021 totaled ¥52,311 million (down 7.1% year on year, 84.8% of the revised full-year revenue plan), operating profit amounted to ¥10,965 million (up 136.1% year on year, 99.4% of the revised full-year operating profit plan), and profit before tax was ¥10,489 million (up 152.3% year on year, 101.1% of the revised full-year profit plan). In the Hotel Business, although there was no recovery in accommodation sales due to the impact of the COVID-19 crisis, sales of properties in the Revitalization Business and the Development Business progressed according to plan, while other businesses performed favorably, as evidenced by the balance of assets under management exceeding ¥1.3 trillion.

On August 25, 2021, the Group resolved to acquire all shares in ICOMPANY, Inc. and its four subsidiaries (hereinafter collectively the “Princess Group”), whose core business is the purchase and resale after renovation of pre-owned condominiums by units, and made the Princess Group a subsidiary as of September 30, 2021. Although the Company has a track record in the “Restyling Business,” in which we

acquire, add value, and sell entire income-generating apartment blocks, the “purchase and resale after renovation of pre-owned condominiums by units” that is handled by the Princess Group is a new business domain for the Group, and we anticipate the expansion of our business domains and the enhancement of our existing businesses. In addition, since the “revitalization and effective utilization of existing housing stock” is also a business that will lead to the resolution of social issues relating to real estate due to various structural factors such as the advance of the declining birthrate and aging population, the vacant house issue, and aging condominiums, we aim to further strengthen the Group’s real estate revitalization capabilities.

## **(2) Analysis of Financial Positions**

As of August 31, 2021, total assets were ¥174,984 million, an increase of ¥13,299 million compared with November 30, 2020, while total liabilities were ¥109,593 million, an increase of ¥6,878 million.

Increase in total assets were due to an increase in inventories and investment properties despite a decrease in cash and cash equivalents. Increase in total liabilities were due to an increase in borrowings and current income tax liabilities and a decrease in trade and other payables.

Total equity increased by ¥6,421 million to ¥65,391 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

## **(3) Analysis of Cash Flows**

Cash and cash equivalents (hereinafter “cash”) as of August 31, 2021 totaled ¥32,372 million, down ¥4,666 million compared with November 30, 2020.

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

### **Cash Flows from Operating Activities**

Net cash provided by operating activities totaled ¥4,177 million (down 61.5% year on year). This is mainly due to profit before tax of ¥10,489 million, an increase in inventories of ¥4,802 million, a decrease in income taxes paid of ¥2,499 million.

### **Cash Flows from Investing Activities**

Net cash used in investing activities totaled ¥13,074 million (up 207.0% year on year). This is primarily due to purchase of investment properties of ¥12,176 million.

### **Cash Flows from Financing Activities**

Net cash provided by financing activities totaled ¥4,229 million (in comparison with segment net cash used in financing activities of ¥2,771 million in the same period of the previous fiscal year). This mainly reflects ¥37,248 million in proceeds from non-current borrowings, despite ¥32,107 million in the repayments of non-current borrowings and ¥896 million in cash dividends paid.

## **(4) Operational and financial issues to be addressed**

During the nine months ended August 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.**

In the third quarter of the fiscal year under review, the Company concluded a share transfer agreement with the shareholders of ICOMPANY, Inc. and the shareholders of Princess Holdings Co., Ltd., which is a subsidiary of ICOMPANY, Inc., and acquired all the shares on September 30, 2021. Details are as described in “IV. Accounting 1. Condensed Quarterly Consolidated Financial Statements (5) Notes on Condensed Quarterly Consolidated Financial Statements 11. Significant subsequent events.”

### 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 August 31, 2021)	Number of issued shares (Shares: as of the date of filing: October 8, 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 June 1, 2021 to August 31, 2021	—	48,683,800	—	6,624,890	—	6,708,366

##### (5) Status of major shareholders

There is no item to report due to the reporting period being a third quarter of a fiscal year.

## (6) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of May 31, 2021, which is the latest record date, as the information as of August 31, 2021 is not yet available.

### 1) Issued shares

(As of August 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 August 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:1. At the Board of Directors’ meeting held on January 25, 2021, the Company resolved to repurchase its own shares during a repurchase period from February 1, 2021 to July 31, 2021, and as of August 31, 2021 had repurchased 466,100 shares. The repurchase was completed on July 6, 2021. In addition, the number of shares decreased by 18,100 shares due to the exercise of stock acquisition rights. As a result, the number of treasury shares as of August 31, 2021 stands at 1,956,422 shares.
2. At the Board of Directors’ meeting held on August 25, 2021, the Company resolved to dispose of treasury shares by third-party allotment, and has allotted 1,030,000 treasury shares to the allottee as of the date of submission.

## 2. Status of Officers

There was change in Officers during the nine months ended August 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 third quarter of the fiscal year ending November 30, 2021 (from June 1, 2021 to August 31, 2021) and for the first nine months of the fiscal year ending November 30, 2021 (from December 1, 2020 to August 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 August 31, 2021
<b>Assets</b>			
Current assets			
Cash and cash equivalents	10	37,039,600	32,372,677
Trade and other receivables	10	3,192,248	2,959,502
Inventories	6	65,416,925	69,772,284
Other current assets		15,298	16,315
Total current assets		105,664,073	105,120,779
Non-current assets			
Property, plant and equipment		23,495,129	21,792,760
Investment properties		26,987,387	41,440,199
Intangible assets		209,663	189,840
Trade and other receivables	10	779,470	1,072,964
Other financial assets	10	3,972,309	4,955,556
Deferred tax assets		572,454	408,251
Other non-current assets		4,014	4,014
Total non-current assets		56,020,429	69,863,587
Total assets		161,684,503	174,984,367
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities			
Trade and other payables	10	5,466,127	4,817,067
Borrowings	10	11,794,730	12,249,440
Current income tax liabilities		925,671	1,897,320
Provisions		600,264	336,858
Total current liabilities		18,786,795	19,300,687
Non-current liabilities			
Trade and other payables	10	3,649,593	3,593,030
Borrowings	10	79,192,778	85,327,369
Retirement benefits obligations		546,421	566,106
Provisions		7,129	7,250
Deferred tax liabilities		532,260	798,710
Total non-current liabilities		83,928,183	90,292,468
Total Liabilities		102,714,978	109,593,156
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,627,004	6,633,797
Retained earnings		47,442,372	53,622,513
Treasury shares		(1,500,055)	(1,981,795)
Other components of equity		(224,688)	491,805
Total equity attributable to owners of parent		58,969,524	65,391,211
Total equity		58,969,524	65,391,211
Total liabilities and equity		161,684,503	174,984,367

**(2) Condensed Quarterly Consolidated Statement of Comprehensive Income**  
**Nine months ended August 31, 2021**

(¥ thousand)

	Notes	Nine months ended August 31, 2020	Nine months ended August 31, 2021
Revenue	5,7	56,309,557	52,311,732
Cost of revenue		45,066,936	34,634,605
Gross profit		11,242,620	17,677,127
Selling, general and administrative expenses		6,574,576	6,781,521
Other income		48,772	137,135
Other expenses		72,057	67,319
Operating profit	5	4,644,758	10,965,422
Finance income		107,903	139,928
Finance costs		595,656	616,031
Profit before tax		4,157,004	10,489,319
Income tax expense		1,688,270	3,409,986
Profit for the period		2,468,734	7,079,332
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		(567,898)	709,231
Subtotal		(567,898)	709,231
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(7,105)	10,314
Net change in fair values of cash flow hedges		(7,828)	(3,139)
Subtotal		(14,934)	7,175
Other comprehensive income for the period, net of tax		(582,833)	716,406
Total comprehensive income for the period		1,885,900	7,795,738
Profit attributable to:			
Owners of the parent		2,468,734	7,076,939
Non-controlling interests		—	2,393
Profit for the period		2,468,734	7,079,332
Total comprehensive income attributable to:			
Owners of the parent		1,885,900	7,793,345
Non-controlling interests		—	2,393
Total comprehensive income for the period		1,885,900	7,795,738
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	52.05	150.71
Diluted earnings per share (¥)	9	51.93	150.50

### Third quarter ended August 31, 2021

(¥ thousand)

	Notes	Third quarter ended August 31, 2020	Third quarter ended August 31, 2021
Revenue	5	11,259,235	11,378,854
Cost of revenue		6,849,605	7,491,034
Gross profit		4,409,630	3,887,820
Selling, general and administrative expenses		1,914,588	2,177,795
Other income		27,974	22,477
Other expenses		48,735	△74
Operating profit	5	2,474,279	1,732,576
Finance income		10,397	4,037
Finance costs		218,561	206,969
Profit before tax		2,266,115	1,529,644
Income tax expense		944,988	573,170
Profit for the period		1,321,127	956,473
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		(25,030)	78,800
Subtotal		(25,030)	78,800
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		4,527	(2,407)
Net change in fair values of cash flow hedges		(7,164)	8,306
Subtotal		(2,636)	5,898
Other comprehensive income for the period, net of tax		(27,667)	84,699
Total comprehensive income for the period		1,293,459	1,041,173
Profit attributable to:			
Owners of the parent		1,321,127	956,473
Total comprehensive income attributable to:			
Owners of the parent		1,293,459	1,041,173
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	27.98	20.46
Diluted earnings per share (¥)	9	27.97	20.43



### (3) Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended August 31, 2020 (December 1, 2019 – August 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			2,468,734			2,468,734	2,468,734
Other comprehensive income					(582,833)	(582,833)	(582,833)
Total comprehensive income for the period	—	—	2,468,734	—	(582,833)	1,885,900	1,885,900
Amount of transactions with owners							
Issuance of new shares	23,923	13,513				37,436	37,436
Purchase of treasury shares		(7,232)		(499,965)		(507,197)	(507,197)
Dividends of surplus	8		(1,998,632)			(1,998,632)	(1,998,632)
Share-based payment		25,882				25,882	25,882
Balance at August 31, 2020	6,603,767	6,607,403	46,309,525	(1,500,002)	(270,805)	57,749,888	57,749,888

Nine months ended August 31, 2021 (December 1, 2020 – August 31, 2021)

(¥ thousand)

	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			7,076,939			7,076,939	2,393	7,079,332
Other comprehensive income					716,406	716,406		716,406
Total comprehensive income for the period	—	—	7,076,939	—	716,406	7,793,345	2,393	7,795,738
Amount of transactions with owners								
Purchase of treasury shares		(5,295)		(500,049)		(505,345)		(505,345)
Disposal of treasury shares		(101)		18,310		18,208		18,208
Dividends of surplus	8		(896,333)			(896,333)		(896,333)
Dividends to non-controlling interests						—	(2,771)	(2,771)
Change from newly consolidated subsidiary						—	117,600	117,600
Change in scope of consolidation			(378)			(378)	(117,221)	(117,600)
Transfer from other components of equity to retained earnings			(86)		86	—		—
Share-based payment		12,189				12,189		12,189
Balance at August 31, 2021	6,624,890	6,633,797	53,622,513	(1,981,795)	491,805	65,391,211	—	65,391,211

**(4) Condensed Quarterly Consolidated Statement of Cash Flows**

(¥ thousand)

	Notes	Nine months ended August 31, 2020	Nine months ended August 31, 2021
Cash flows from operating activities			
Profit before tax		4,157,004	10,489,319
Depreciation expense		892,182	1,114,930
Increase (decrease) in provisions and retirement benefits obligations		(326,605)	(245,896)
Interest and dividend income		(107,903)	(139,928)
Interest expenses		595,656	616,031
Decrease (increase) in trade and other receivables		1,341,562	(232,537)
Decrease (increase) in inventories		8,723,213	(4,802,588)
Increase (decrease) in trade and other payables		(1,545,563)	(736,606)
Other, net		27,456	7,811
Subtotal		13,757,003	6,070,534
Interest and dividend income received		152,796	249,685
Income taxes paid		(3,050,909)	(2,499,952)
Income taxes refund		—	356,873
Net cash from (used in) operating activities		10,858,890	4,177,140
Cash flows from investing activities			
Purchase of property, plant and equipment		(157,034)	(924,658)
Purchase of investment properties		(3,239,248)	(12,176,366)
Purchase of intangible assets		(144,673)	(19,585)
Collection of loans receivable		109,836	63
Purchase of other financial assets		(939,300)	(62,053)
Collection of other financial assets		111,266	104,224
Other, net		300	4,330
Net cash from (used in) investing activities		(4,258,853)	(13,074,046)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		(1,450,000)	1,519,800
Proceeds from non-current borrowings		31,988,865	37,248,700
Repayments of non-current borrowings		(29,991,915)	(32,107,429)
Repayments of lease obligations		(191,586)	(172,998)
Proceeds from issuance of new shares		37,302	—
Repayments to non-controlling interests		—	(117,600)
Capital contribution from non-controlling interests		—	117,600
Cash dividends paid		(1,996,678)	(896,180)
Dividends paid to non-controlling interests		—	(2,771)
Purchase of treasury shares		(499,965)	(500,049)
Proceeds from disposal of treasury shares		—	18,208
Interest expenses paid		(667,862)	(878,116)
Net cash from (used in) financing activities		(2,771,840)	4,229,163
Net increase (decrease) in cash and cash equivalents		3,828,197	(4,667,741)
Cash and cash equivalents at beginning of period		31,998,929	37,039,600
Effect of exchange rate change on cash and cash equivalents		(685)	850
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		—	(31)
Cash and cash equivalents at end of period		35,826,440	32,372,677

## **(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 third quarter (June 1, 2021 to August 31, 2021) and first nine months (December 1, 2020 to August 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 Seichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on October 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 August 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 nine months ended August 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:

### Nine months ended August 31, 2020

(December 1, 2019 – August 31, 2020)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	30,329,071	14,286,932	4,247,115	3,697,981	3,424,307	324,148	—	56,309,557
Intersegment revenue	—	—	37,142	77,930	845,800	1,480	(962,352)	—
Total	30,329,071	14,286,932	4,284,258	3,775,911	4,270,107	325,628	(962,352)	56,309,557
Segment profit or loss	5,772,364	(3,855,834)	1,678,239	2,676,685	558,626	(733,629)	(1,451,694)	4,644,758
Finance income/costs, net								(487,753)
Profit before tax								4,157,004

### Nine months ended August 31, 2021

(December 1, 2020 – August 31, 2021)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	30,060,354	10,487,389	3,992,484	3,624,737	3,831,874	314,892	—	52,311,732
Intersegment revenue	—	—	62,853	11,657	1,005,368	50	(1,079,929)	—
Total	30,060,354	10,487,389	4,055,337	3,636,395	4,837,243	314,942	(1,079,929)	52,311,732
Segment profit or loss	7,239,344	1,280,888	2,016,707	2,456,841	616,062	(622,704)	(2,021,717)	10,965,422
Finance income/costs, net								(476,103)
Profit before tax								10,489,319

Third quarter ended August 31, 2020

(June 1, 2020 – August 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	2,649,576	4,373,785	1,512,322	1,517,488	1,151,020	55,041	—	11,259,235
Intersegment revenue	—	—	11,518	71,892	285,517	450	(369,378)	—
Total	2,649,576	4,373,785	1,523,840	1,589,381	1,436,537	55,491	(369,378)	11,259,235
Segment profit or loss	207,132	865,103	639,343	1,195,716	203,933	(274,757)	(362,192)	2,474,279
Finance income/costs, net								(208,163)
Profit before tax								2,266,115

Third quarter ended August 31, 2021

(June 1, 2021 – August 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	5,874,433	1,444,185	1,231,618	1,353,121	1,322,027	153,468	—	11,378,854
Intersegment revenue	—	—	36,279	4,899	351,534	—	(392,713)	—
Total	5,874,433	1,444,185	1,267,897	1,358,021	1,673,562	153,468	(392,713)	11,378,854
Segment profit or loss	802,029	69,539	569,595	891,133	194,158	(214,410)	(579,469)	1,732,576
Finance income/costs, net								(202,931)
Profit before tax								1,529,644

## 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)

	Nine months ended August 31, 2020	Nine months ended August 31, 2021
The amount of loss on valuation	7,682,876	—
The amount of reversal of valuation loss	54,128	1,593,998

## 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.

### Nine months ended August 31, 2020

(December 1, 2019 – August 31, 2020)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	30,329,071	14,286,932	—	—	—	—	44,616,004
Revenue from services	—	—	419,794	3,687,863	3,424,307	250,376	7,782,342
Revenue recognized from other sources	—	—	3,827,321	10,117	—	73,771	3,911,210
Total	30,329,071	14,286,932	4,247,115	3,697,981	3,424,307	324,148	56,309,557

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

### Nine months ended August 31, 2021

(December 1, 2020 – August 31, 2021)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	30,060,354	10,441,207	—	—	—	—	40,501,561
Revenue from services	—	46,181	440,594	3,616,143	3,831,874	234,493	8,163,612
Revenue recognized from other sources	—	—	3,551,889	8,954	—	80,399	3,646,558
Total	30,060,354	10,487,389	3,992,484	3,624,737	3,831,874	314,892	52,311,732

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

## 8. Dividends

Dividends paid in the nine months ended August 31, 2020 and August 31, 2021 are as follows:

Nine months ended August 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

Nine months ended August 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

	Nine months ended August 31, 2020	Nine months ended August 31, 2021
Profit attributable to owners of the parent (¥ thousand)	2,468,734	7,076,939
Net income used to figure diluted net income per share (¥ thousand)	2,468,734	7,076,939
Weighted average number of outstanding ordinary shares (shares)	47,432,445	46,958,245
The number of increased ordinary shares used to figure diluted earnings per share (shares)	107,737	63,523
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,540,182	47,021,768
Basic earnings per share (¥)	52.05	150.71
Diluted net income per share (¥)	51.93	150.50

	Third quarter ended August 31, 2020	Third quarter ended August 31, 2021
Profit attributable to owners of the parent (¥ thousand)	1,321,127	956,473
Net income used to figure diluted net income per share (¥ thousand)	1,321,127	956,473
Weighted average number of outstanding ordinary shares (shares)	47,209,320	46,749,878
The number of increased ordinary shares used to figure diluted earnings per share (shares)	17,035	73,537
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,226,355	46,823,415
Basic earnings per share (¥)	27.98	20.46
Diluted net income per share (¥)	27.97	20.43

Notes: Basic earnings per share is calculated by quarterly profit 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 August 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	32,372,677	32,372,677
Trade and other receivables	3,003,105	3,003,105	2,652,132	2,652,132
Financial assets measured at fair value through other comprehensive income				
Other financial assets	3,603,838	3,603,838	4,594,998	4,594,998
Financial assets measured at fair value through profit or loss				
Other financial assets	368,471	368,471	360,557	360,557
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	6,414,729	6,414,729	7,364,551	7,364,551
Borrowings	90,987,508	90,983,844	97,576,810	97,572,956

### 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

(¥ thousand)

	As of August 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	4,461,020	—	133,978	4,594,998
Financial assets measured at fair values through profit or loss	—	—	360,557	360,557
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	34,712	—	34,712

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)

	Nine months ended August 31, 2020	Nine months ended August 31, 2021
Balance at beginning of period	490,206	535,680
Acquisition	519,700	62,053
Comprehensive income		
Profit (loss)	4,785	(2,591)
Other comprehensive income	(1,527)	(2,151)
Disposal	(109,650)	(98,455)
Balance at end of period	903,514	494,535

## 11. Significant subsequent events

(Business combination by acquisition)

At the Board of Directors' meeting held on August 25, 2021, the Company resolved to acquire all of the shares in ICOMPANY, Inc. and all shares issued by its subsidiary, Princess Holdings Co., Ltd. that are not held by ICOMPANY, Inc., thereby making ICOMPANY, Inc. and its four subsidiaries (hereinafter collectively the "Princess Group") into subsidiaries of the Company. The Company also resolved to dispose of treasury shares as consideration for the acquisition of shares in ICOMPANY, Inc., and acquired these shares on September 30, 2021.

Although the provisions of IFRS 3 have been applied, detailed information on the accounting treatment is not provided for the reason that the accounting treatment for the business combination has not been completed at this time.

### 1. Outline of the business combination

#### (1) Name of the acquired company and its fields of business

- |                                 |                                                                                                                                                            |
|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Name of the acquired company | ICOMPANY, Inc.                                                                                                                                             |
| Fields of business              | Securities ownership and investment<br>Real estate rental and management                                                                                   |
| 2) Name of the acquired company | Princess Holdings Co., Ltd.                                                                                                                                |
| Fields of business              | Securities management and investment<br>Real estate rental and management                                                                                  |
| 3) Name of the acquired company | Princess Square Co., Ltd.                                                                                                                                  |
| Fields of business              | Real estate rental, management, trading, and brokerage<br>Remodeling business and consulting business                                                      |
| 4) Name of the acquired company | G.P. Asset Co., Ltd.                                                                                                                                       |
| Fields of business              | Real estate trading, rental, management, brokerage,<br>and agency business<br>Consulting business for remodeling of houses, stores, etc.                   |
| 5) Name of the acquired company | Let's Creation Co., Ltd.                                                                                                                                   |
| Fields of business              | Real estate trading, rental, management, brokerage,<br>and agency business<br>Contracting and mediation for remodeling of houses,<br>stores, offices, etc. |

(2) Date of acquisition      September 30, 2021

(3) Ratio of acquired capital equity with voting rights

100% (including indirect holdings)

(4) Reason for conducting business combination

The Share Acquisition is expected to expand the Tosei Group's business fields. In the used condominium unit purchase and resale after renovation business, which is a new business field, Tosei will be able to generate synergy, including further improving asset values by sharing the Group's know-how on real estate revitalization, improving efficiency by supplementing management resources such as development capabilities and financial resources, and expanding the range of products handled. In addition, given that the Princess Group's existing businesses are expected to be enhanced as a result of economic efficiency and rationalization of scale and area in the Rental Business, Property Management Business, and peripheral businesses operated by the Group, Tosei believes that the medium- to long-term

corporate value of the Group will improve as a result, and has decided to go ahead with the Share Acquisition.

(5) Method for gaining control of the acquired company

Acquisition of shares with cash and treasury shares as consideration.

(6) Payment of consideration on the date of acquisition

Treasury shares: ¥1,199,950,000 (Ordinary shares 1,030,000 shares)

Cash: This information is not disclosed due to confidentiality obligations assumed by the Company.

**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**

October 6, 2021

To the Board of Directors of  
Tosei Corporation

Shinsoh Audit Corporation

Chuo-ku, Tokyo

Designated and Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Takayuki Sakashita

Designated and Engagement Partner,  
Certified Public Accountant:

\_\_\_\_\_  
Atushi Iijima

*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 third quarter (June 1, 2021 to August 31, 2021) and the first nine-month period (December 1, 2020 to August 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 August 31, 2021, and the consolidated results of their operations and their cash flows for the nine-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

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\*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.