

Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the second quarter of the 73rd term)

from March 1, 2022
to May 31, 2022

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 8, 2022. 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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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	72nd term First six months	73rd term First six months	72nd term
Accounting period	From December 1, 2020 to May 31, 2021	From December 1, 2021 to May 31, 2022	From December 1, 2020 to November 30, 2021
Revenue (¥ thousand) [Second quarter of the current fiscal year]	40,932,878 [15,831,288]	43,552,312 [17,236,594]	61,726,449
Profit before tax (¥ thousand)	8,959,674	9,000,732	10,302,616
Profit attributable to owners of parent (¥ thousand) [Second quarter of the current fiscal year]	6,120,465 [3,040,929]	6,107,254 [2,482,152]	6,721,305
Comprehensive income attributable to owners of parent (¥ thousand)	6,752,172	6,222,635	7,134,366
Total equity (¥ thousand)	64,585,183	69,886,043	65,958,740
Total assets (¥ thousand)	170,923,896	199,129,001	195,010,899
Basic earnings per share (¥) [Second quarter of the current fiscal year]	130.06 [64.74]	128.56 [52.41]	142.56
Diluted earnings per share (¥)	129.90	128.46	142.37
Ratio of equity attributable to owners of the parent to total assets (%)	37.7	35.1	33.8
Net cash from (used in) operating activities (¥ thousand)	8,803,715	7,958,940	974,603
Net cash from (used in) investing activities (¥ thousand)	(12,857,406)	(6,186,394)	(15,448,977)
Net cash from (used in) financing activities (¥ thousand)	2,043,057	(1,027,268)	10,994,264
Cash and cash equivalents at end of period (¥ thousand)	35,030,009	34,311,177	33,560,679

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

2. 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, 2022, 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 among the major affiliates include the elimination of Princess Holdings Co., Ltd. from the scope of consolidation, as it ceased to exist following an absorption-type merger with Princess Square Co., Ltd. as the surviving company, in the three months ended February 28, 2022.

Isogo Asset Management Co., Ltd. and Threefold Co., Ltd. were included in the scope of consolidation, due to the acquisition of their shares during the three months ended May 31, 2022.

In addition, Tosei Urban Home Co., Ltd. was eliminated from the scope of consolidation, due to the completion of its liquidation in the three months ended May 31, 2022.

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, 2022. 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, 2022.

(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, 2022, the Japanese economy showed signs of recovery, despite the lingering effects of COVID-19. Meanwhile, we are facing challenging circumstances including supply chain strains and soaring resource prices due to the Russian invasion of Ukraine as well as the rapid depreciation of the yen. It is necessary to monitor multiple factors such as the ensuing changes in the financial situation and the pressure on corporate earnings and domestic household finances.

In the real estate industry where Tosei Group operates, domestic real estate investments for the three months from January to March 2022 decreased 40% year on year to ¥730.4 billion. While the transaction volume dropped due to a decrease in large transactions and other factors, office investment demand is expected to grow as full-fledged, in-person work at the offices resumes. Furthermore, Japanese real estate with a high level of stability continues to be an attractive investment target, as seen in the increase in the percentage of investments into residential properties (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, although the number of newly built units from January to April 2022 decreased 4.9% year on year to 8,333 units, the average contract rate for the first month exceeded 70%, maintaining the strong performance as previous fiscal year. In addition, in the Tokyo metropolitan area pre-owned condominium market, while the number of units contracted from January to April 2022 declined 15.7% year on year to 12,405 units, the market is booming, as evidenced by the rising trend in contract prices. In the build-for-sale detached house market, housing starts for the three months from January to March 2022 came to 13,000 units (up 7.8% year on year) (according to a survey by a private research institute).

Regarding construction costs for the four months from January to April 2022, average costs per tsubo for steel reinforced concrete structure were ¥1,359 thousand (1 tsubo = 3.30 square meters) (an increase of 11.0% year on year), and average costs per tsubo for wooden structure were ¥575 thousand (an increase of 1.3% year on year). The rise in the price of building materials due to the military conflict between Russia and Ukraine, two major steel exporting countries, has begun to affect 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 2022 was 6.4% (an increase of 0.7 percentage points year on year), and the average asking rent was ¥20,328 per tsubo (a decrease of ¥1,087 year on year), demonstrating a downward trend, although it seems to have bottomed out in certain areas. A massive supply of new office buildings is expected in 2023 and it remains necessary to continue monitoring the trends in supply and demand (according to a survey by a private research institute).

Meanwhile, the condominium leasing market remained robust and the average asking rent of apartments in the Tokyo metropolitan area as of April 2022 was ¥11,143 per tsubo (an increase of 3.1% year on year) and the average occupancy rate at condominiums held by J-REIT in the Tokyo Area as of January 31, 2022 was 96.1% (a decrease of 0.3 percentage points year on year). The rent of apartments for singles in the 23 wards of Tokyo, which had been falling in the previous fiscal year, appears to have bottomed out (according to a survey by a private research institute).

In the Tokyo metropolitan area’s logistics facility leasing market, leasable stock in April 2022 amounted to 7.65 million tsubo (an increase of 16.0% year on year). The vacancy rate was 3.0%. Although this was an increase from the level of 2.5% observed in January 2022, rent continues to gradually increase. Amid cases in which certain leasing projects are taking more time due to the oversupply against leasing demand,

it remains necessary to continue monitoring the balance of supply and demand as new supplies are also expected going forward (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 2022 totaled ¥21.5 trillion (an increase of ¥0.8 trillion year on year) and assets under management in private placement funds totaled ¥24.1 trillion (as of December 31, 2021, an increase of ¥1.6 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥45.6 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the three months from January to March 2022, the average guest room occupancy rate was 47.1% (33.5% in the same period of the previous fiscal year), and the total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 11.04 million (an increase of 56.8% year on year). While the threat of COVID-19 continues to linger, expectations are high for the recovery of the hotel market with the uptick in foot traffic thanks to the easing of restrictions and as the signs of increasing personal consumption become more evident (according to a survey by the Japan Tourism Agency).

Amid this operating environment, in the Fund and Consulting Business, the Group increased its balance of assets under management, while in the Revitalization Business and the Development Business, the Group proceeded with property sales and 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, 2022 totaled ¥43,552 million (up 6.4% year on year), operating profit was ¥9,357 million (up 1.4%), profit before tax was ¥9,000 million (up 0.5%), and profit attributable to owners of the parent was ¥6,107 million (down 0.2%).

Performance by business segment is shown below.

From the three months ended February 28, 2022, the Company changed the name of its “Real Estate Securitization Business” (in Japanese. In English, the segment has been known as the “Revitalization Business” and remains the same) to the “Revitalization Business.” As this is merely a change of the segment name, there will be no impact on segment information.

Revitalization Business

During the six months ended May 31, 2022, the segment sold 28 properties it had renovated and 74 pre-owned condominium units, including Central Minami-Otsuka No.1 Building (Toshima-ku, Tokyo), NAC Building (Tachikawa-shi, Tokyo), Kazo Warehouse (Kazo-shi, Saitama).

During the six months ended May 31, 2022, it also acquired a total of 21 income-generating office buildings, apartments, three land lots and 75 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥532 million.

As a result, revenue in this segment was ¥28,951 million (up 19.7% year on year) and the segment profit was ¥6,067 million (down 5.7%).

Development Business

During the six months ended May 31, 2022, the segment sold T’S BRIGHTIA Minami-Aoyama EAST (Minato-ku, Tokyo). In addition, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 45 detached houses at such properties as THE Palms Court Setagaya Hachimanyama (Setagaya-ku, Tokyo) and THE Palms Court Mitaka Rumie (Mitaka-shi, Tokyo).

During the six months ended May 31, 2022, it also acquired two land lots for rental apartment project, two land lots for rental wooden apartment project, one land lot for income-generating office building and land lots for 44 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of inventories valuation loss of ¥73 million.

As a result, revenue in this segment was ¥5,056 million (down 44.1% year on year) and the segment profit was ¥797 million (down 34.2% year on year).

Rental Business

During the six months ended May 31, 2022, while the segment sold 21 buildings of its inventory assets held for leasing purposes, it newly acquired 20 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 ¥2,884 million (up 4.5% year on year) and the segment profit was ¥1,446 million (down 0.0%).

Fund and Consulting Business

During the three months ended May 31, 2022, while ¥87,192 million was subtracted due mainly to property dispositions by funds, ¥312,166 million added due to new asset management contracts, from the balance of assets under management (Note) ¥1,420,867 million for the end of the previous fiscal year. The balance of assets under management as of May 31, 2022, was ¥1,645,841 million.

As a result, revenue in this segment was ¥2,709 million (up 19.3% year on year) and the segment profit was ¥1,761 million (up 12.5%).

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, 2022, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 777 as of May 31, 2022, an increase of 76 from May 31, 2021, with the total comprising 469 office buildings, hotels, logistic facilities and other such properties, and 308 condominiums and apartments.

As a result, revenue in this segment was ¥3,127 million (up 24.6% year on year) and segment profit was ¥545 million (up 29.3%).

Hotel Business

While the impact of COVID-19 still persisted in the six months ended May 31, 2022, the Company strived to improve the occupancy rates at existing hotels, resulting in improvements in revenue and segment loss from the same period of the previous fiscal year.

As a result, revenue in this segment was ¥821 million (up 408.9% year on year) and segment loss was ¥259 million (in comparison with segment loss of ¥408 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

In the real estate investment market, which is the Group's mainstay market, robust transactions prevailed amid a favorable fund-raising environment backed by low interest rates. Under such an operating environment, for the six months ended May 31, 2022, the Group's business performed well, achieving 54.4% of the full-year forecast based on revenue and 75.0% based on profit before tax. In the Revitalization Business, progress was made in the sales of office buildings, logistics facilities, income-generating apartments, etc., resulting in an upward swing in the profit margin that was higher than projected at the beginning of the fiscal year, which, in turn, drove the Group's overall profits. In the Development Business, while operating profit for the first half of the year stood at 36.9% of the full-year forecast, given that completion and delivery of condominiums are expected in the fourth quarter of the fiscal year under review, performance exceeded that of the internal first half plan.

In addition, in the Stock and Fee Business, the Company's stable source of income, the Rental Business and the Property Management Business performed according to plan, while in the Fund and Consulting Business, which supports the real estate funds of investors, the balance of assets under management further increased and exceeded ¥1.6 trillion (a year-on-year increase of ¥224.9 billion). With the widening gap between Japanese and US interest rates and the increasing appeal of inbound investments by overseas real estate investors, we continue to steadily grow by capturing the investment demand of these investors. Furthermore, the Hotel Business, which was adversely impacted by COVID-19, is seeing a gradual return in customer traffic, in conjunction with the lifting of the state of emergency.

While there are concerns over increasing uncertainty in the future operating environment including the tightening of monetary policies in Europe and the US, the soaring prices of energy and natural resources triggered by the prolonged Russian invasion of Ukraine, and the slowdown of the global economy, the Company will closely monitor the trends in the real estate market and continue to proactively promote its purchasing and sales activities.

(2) Analysis of Financial Positions

As of May 31, 2022, total assets were ¥199,129 million, an increase of ¥4,118 million compared with November 30, 2021, while total liabilities were ¥129,242 million, an increase of ¥190 million.

Increase in total assets were due to an increase in inventories and other financial assets despite a decrease in investment properties. Increase in total liabilities were due to an increase in trade and other payables and interest-bearing liabilities.

Total equity increased by ¥3,927 million to ¥69,886 million, mainly due to an increase in retained earnings, payment of cash dividends and purchase of treasury shares.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of May 31, 2022 totaled ¥34,311 million, up ¥750 million compared with November 30, 2021.

The cash flows for the six months ended May 31, 2022 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥7,958 million (down 9.6% year on year). This is mainly due to profit before tax of ¥9,000 million, a decrease in inventories of ¥2,038 million and income taxes paid of ¥3,611 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥6,186 million (down 51.9% year on year). This is primarily due to purchase of other financial assets of ¥2,895 million and payments for acquisition of subsidiaries of ¥2,154 million.

Cash Flows from Financing Activities

Net cash used by financing activities totaled ¥1,027 million (in comparison with segment net cash provided in financing activities of ¥2,043 million in the same period of the previous fiscal year). This mainly reflects ¥20,440 million in proceeds from non-current borrowings, despite ¥19,394 million in the repayments of non-current borrowings and ¥1,815 million in cash dividends paid.

(4) Operational and financial issues to be addressed

During the six months ended May 31, 2022, 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, 2022)	Number of issued shares (Shares: as of the date of filing: July 8, 2022)	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 (Prime Market), 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, 2022 to May 31, 2022	—	48,683,800	—	6,624,890	—	6,708,366

(5) Status of major shareholders

(As of May 31, 2022)

Name of shareholder	Address	Number of shares held (Share)	Ownership percentage to the number of issued shares (excluding treasury stock) (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500	27.22
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	4,287,600	9.05
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)	1,802,802	3.80
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,439,000	3.04
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)	1,339,400	2.82
Hirotochi Deguchi	Minato-ku, Tokyo, Japan	1,030,000	2.17
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & cleaning Services Division)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101, U.S.A (2-15-1, Konan, Minato-ku, Tokyo, Japan)	578,087	1.22
JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO (Standing proxy: MUFG Bank, Ltd.)	1 ANGEL LANE LONDON - NORTH OF THE THAMES UNITED KINGDOM EC4R 3AB (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)	539,600	1.14
Aozora Bank, Ltd.	6-1-1, Kojimachi, Chiyoda-ku, Tokyo, Japan	502,900	1.06
Total	–	30,404,889	64.24

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 (1,353,722 of shares) is not included in the chart above.

(6) Status of voting rights

1) Issued shares

(As of May 31, 2022)

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 1,353,700	–	–
Shares with full voting rights (Other)	Ordinary shares 47,311,000	473,110	–
Shares less than one unit	Ordinary shares 19,100	–	–
Total number of issued shares	48,683,800	–	–
Voting rights owned by all shareholders	–	473,110	–

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, 2022)

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	1,353,700	–	1,353,700	2.78
Total	–	1,353,700	–	1,353,700	2.78

Note: At the Board of Directors’ meeting held on January 12, 2022, the Company resolved to repurchase its own shares during a repurchase period from January 13, 2022 to July 31, 2022, and as of May 31, 2022 had repurchased 475,700 shares. The repurchase was completed on March 25, 2022. In addition, the number of shares decreased by 22,000 shares due to the exercise of stock acquisition rights. As a result, the number of treasury shares as of May 31, 2022 stands at 1,357,722 shares.

2. Status of Officers

There was no change in Officers during the six months ended May 31, 2022 after the filing date of annual securities report for the previous fiscal year.

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, 2022 (from March 1, 2022 to May 31, 2022) and for the first six months of the fiscal year ending November 30, 2022 (from December 1, 2021 to May 31, 2022) 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, 2021	As of May 31, 2022
Assets			
Current assets			
Cash and cash equivalents	10	33,560,679	34,311,177
Trade and other receivables	10	4,139,380	5,308,665
Inventories	6	85,210,849	87,470,419
Other current assets		46,903	19,178
Total current assets		122,957,812	127,109,440
Non-current assets			
Property, plant and equipment		23,860,236	23,398,501
Investment properties		39,812,070	37,995,403
Goodwill		1,401,740	1,401,740
Intangible assets		191,758	191,189
Trade and other receivables	10	1,509,310	1,360,414
Other financial assets	10	4,511,800	7,173,161
Deferred tax assets		752,916	485,895
Other non-current assets		13,254	13,254
Total non-current assets		72,053,087	72,019,561
Total assets		195,010,899	199,129,001
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	4,976,342	6,253,117
Interest-bearing liabilities	10	11,432,641	10,863,837
Current income tax liabilities		2,625,593	1,592,124
Provisions		788,366	486,485
Total current liabilities		19,822,944	19,195,565
Non-current liabilities			
Trade and other payables	10	4,373,252	3,604,995
Interest-bearing liabilities	10	103,521,924	104,630,433
Retirement benefits obligations		646,515	659,044
Provisions		15,284	15,367
Deferred tax liabilities		672,238	1,137,552
Total non-current liabilities		109,229,215	110,047,393
Total Liabilities		129,052,159	129,242,958
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,790,172	6,788,009
Retained earnings		53,250,370	57,533,296
Treasury shares		(911,662)	(1,389,049)
Other components of equity		204,969	328,895
Total equity attributable to owners of parent		65,958,740	69,886,043
Total equity		65,958,740	69,886,043
Total liabilities and equity		195,010,899	199,129,001

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income
Six months ended May 31, 2022

(¥ thousand)

	Notes	Six months ended May 31, 2021	Six months ended May 31, 2022
Revenue	5,7	40,932,878	43,552,312
Cost of revenue		27,143,570	28,835,086
Gross profit		13,789,307	14,717,225
Selling, general and administrative expenses		4,603,725	5,679,284
Other income		114,657	325,234
Other expenses		67,394	5,292
Operating profit	5	9,232,845	9,357,882
Finance income		135,891	188,728
Finance costs		409,062	545,879
Profit before tax		8,959,674	9,000,732
Income tax expense		2,836,815	2,893,477
Profit for the period		6,122,858	6,107,254
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		630,430	89,194
Remeasurements of defined benefit pension plans		—	(8,544)
Subtotal		630,430	80,649
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		12,722	23,444
Net change in fair values of cash flow hedges		(11,445)	11,287
Subtotal		1,276	34,731
Other comprehensive income for the period, net of tax		631,706	115,381
Total comprehensive income for the period		6,754,565	6,222,635
Profit attributable to:			
Owners of parent		6,120,465	6,107,254
Non-controlling interests		2,393	—
Profit for the period		6,122,858	6,107,254
Total comprehensive income attributable to:			
Owners of parent		6,752,172	6,222,635
Non-controlling interests		2,393	—
Total comprehensive income for the period		6,754,565	6,222,635
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	130.06	128.56
Diluted earnings per share (¥)	9	129.90	128.46

Second quarter ended May 31, 2022

(¥ thousand)

	Notes	Second quarter ended May 31, 2021	Second quarter ended May 31, 2022
Revenue	5	15,831,288	17,236,594
Cost of revenue		8,871,887	11,014,960
Gross profit		6,959,400	6,221,634
Selling, general and administrative expenses		2,351,053	2,852,580
Other income		50,856	303,631
Other expenses		66,811	139
Operating profit	5	4,592,391	3,672,546
Finance income		112,756	184,946
Finance costs		213,976	277,257
Profit before tax		4,491,171	3,580,235
Income tax expense		1,447,586	1,098,083
Profit for the period		3,043,584	2,482,152
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		291,590	194,293
Subtotal		291,590	194,293
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		7,227	18,647
Net change in fair values of cash flow hedges		(10,026)	4,717
Subtotal		(2,799)	23,365
Other comprehensive income for the period, net of tax		288,791	217,659
Total comprehensive income for the period		3,332,375	2,699,812
Profit attributable to:			
Owners of parent		3,040,929	2,482,152
Non-controlling interests		2,655	—
Profit for the period		3,043,584	2,482,152
Total comprehensive income attributable to:			
Owners of parent		3,329,720	2,699,812
Non-controlling interests		2,655	—
Total comprehensive income for the period		3,332,375	2,699,812
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	64.74	52.41
Diluted earnings per share (¥)	9	64.66	52.35

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

Six months ended May 31, 2022 (December 1, 2021 – May 31, 2022)

(¥ 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, 2021	6,624,890	6,790,172	53,250,370	(911,662)	204,969	65,958,740	65,958,740
Profit for the period			6,107,254			6,107,254	6,107,254
Other comprehensive income					115,381	115,381	115,381
Total comprehensive income for the period	—	—	6,107,254	—	115,381	6,222,635	6,222,635
Amount of transactions with owners							
Purchase of treasury shares		(1,569)		(499,895)		(501,465)	(501,465)
Disposal of treasury shares		(592)		22,509		21,916	21,916
Dividends of surplus	8		(1,815,783)			(1,815,783)	(1,815,783)
Transfer from other components of equity to retained earnings			(8,544)		8,544	—	—
Balance at May 31, 2022	6,624,890	6,788,009	57,533,296	(1,389,049)	328,895	69,886,043	69,886,043

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Six months ended May 31, 2021	Six months ended May 31, 2022
Cash flows from operating activities			
Profit before tax		8,959,674	9,000,732
Depreciation expense		742,936	784,741
Increase (decrease) in provisions and retirement benefits obligations		(234,106)	(289,175)
Interest and dividend income		(135,891)	(188,728)
Interest expenses		409,062	545,879
Decrease (increase) in trade and other receivables		(76,930)	18,472
Decrease (increase) in inventories		2,321,590	2,038,981
Increase (decrease) in trade and other payables		(2,055,535)	(199,209)
Other, net		(9,331)	(252,262)
Subtotal		9,921,468	11,459,430
Interest and dividend income received		137,902	110,733
Income taxes paid		(1,609,761)	(3,611,223)
Income taxes refund		354,107	—
Net cash from (used in) operating activities		8,803,715	7,958,940
Cash flows from investing activities			
Purchase of property, plant and equipment		(839,047)	(22,470)
Purchase of investment properties		(12,052,748)	(1,052,617)
Purchase of intangible assets		(12,124)	(24,508)
Payments of loans receivable		—	(434,300)
Collection of loans receivable		42	3,080
Purchase of other financial assets		(62,053)	(2,895,915)
Collection of other financial assets		104,194	363,270
Payments for acquisition of subsidiaries		—	(2,154,339)
Other, net		4,330	31,406
Net cash from (used in) investing activities		(12,857,406)	(6,186,394)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		2,876,000	1,084,000
Proceeds from non-current borrowings		27,502,650	20,440,050
Repayments of non-current borrowings		(26,420,134)	(19,394,045)
Redemption of bonds		—	(40,678)
Repayments of lease obligations		(120,339)	(212,353)
Capital contribution from non-controlling interests		117,600	—
Cash dividends paid		(895,469)	(1,815,748)
Purchase of treasury shares		(373,109)	(499,895)
Proceeds from disposal of treasury shares		1,006	22,132
Interest expenses paid		(645,146)	(610,729)
Net cash from (used in) financing activities		2,043,057	(1,027,268)
Net increase (decrease) in cash and cash equivalents		(2,010,633)	745,277
Cash and cash equivalents at beginning of period		37,039,600	33,560,679
Effect of exchange rate change on cash and cash equivalents		1,042	5,220
Cash and cash equivalents at end of period		35,030,009	34,311,177

(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 Prime Market 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, 2022 to May 31, 2022) and first six months (December 1, 2021 to May 31, 2022) have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the “Group”). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in “5. Segment information” in the notes.

2. Basis of preparation

(1) Compliance with IFRS

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

These condensed quarterly consolidated financial statements were approved by Seichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on July 6, 2022.

(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, 2022. 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.

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 rental apartments 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.

From the three months ended February 28, 2022, the Company changed the name of its "Real Estate Securitization Business" (in Japanese. In English, the segment has been known as the "Revitalization Business" and remains the same) to the "Revitalization Business." As this is merely a change of the segment name, there will be no impact on segment information. Segment information for the six months ended May 31, 2021 is also provided based on the changed segment name.

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

Six months ended May 31, 2021

(December 1, 2020 – May 31, 2021)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to 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

Six months ended May 31, 2022
(December 1, 2021 – May 31, 2022)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	28,951,915	5,056,317	2,884,941	2,709,943	3,127,640	821,552	—	43,552,312
Intersegment revenue	—	—	73,598	8,071	696,978	2,613	(781,260)	—
Total	28,951,915	5,056,317	2,958,540	2,718,014	3,824,618	824,165	(781,260)	43,552,312
Segment profit or loss	6,067,999	797,109	1,446,700	1,761,183	545,654	(259,062)	(1,001,703)	9,357,882
Finance income/costs, net								(357,150)
Profit before tax								9,000,732

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 to 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

Second quarter ended May 31, 2022
(March 1, 2022 – May 31, 2022)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	10,232,147	1,915,826	1,438,355	1,542,532	1,642,593	465,139	—	17,236,594
Intersegment revenue	—	—	36,981	6,272	326,572	2,528	(372,353)	—
Total	10,232,147	1,915,826	1,475,336	1,548,804	1,969,165	467,667	(372,353)	17,236,594
Segment profit or loss	1,934,197	180,962	712,730	1,062,998	264,929	(70,534)	(412,737)	3,672,546
Finance income/costs, net								(92,311)
Profit before tax								3,580,235

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, 2021	Six months ended May 31, 2022
The amount of loss on valuation	—	6,377
The amount of reversal of valuation loss	1,570,237	606,515

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, 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
Revenue to external customers	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 and IFRS 9 Financial Instruments.

Six months ended May 31, 2022

(December 1, 2021 – May 31, 2022)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	28,951,915	5,048,140	—	—	—	—	34,000,056
Revenue from services	—	8,177	244,363	2,708,839	3,127,640	767,764	6,856,784
Revenue recognized from other sources	—	—	2,640,578	1,104	—	53,788	2,695,471
Revenue to external customers	28,951,915	5,056,317	2,884,941	2,709,943	3,127,640	821,552	43,552,312

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

8. Dividends

Dividends paid in the six months ended May 31, 2021 and May 31, 2022 are as follows:

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

Six months ended May 31, 2022				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2022	38	1,815,783	November 30, 2021	February 28, 2022

9. Earnings per Share

	Six months ended May 31, 2021	Six months ended May 31, 2022
Profit attributable to owners of parent (¥ thousand)	6,120,465	6,107,254
Net income used to figure diluted net income per share (¥ thousand)	6,120,465	6,107,254
Weighted average number of outstanding ordinary shares (shares)	47,058,545	47,504,621
The number of increased ordinary shares used to figure diluted earnings per share (shares)	58,421	36,332
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,116,966	47,540,953
Basic earnings per share (¥)	130.06	128.56
Diluted net income per share (¥)	129.90	128.46

	Second quarter ended May 31, 2021	Second quarter ended May 31, 2022
Profit attributable to owners of the parent (¥ thousand)	3,040,929	2,482,152
Net income used to figure diluted net income per share (¥ thousand)	3,040,929	2,482,152
Weighted average number of outstanding ordinary shares (shares)	46,970,903	47,360,578
The number of increased ordinary shares used to figure diluted earnings per share (shares)	57,000	55,688
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,027,903	47,416,266
Basic earnings per share (¥)	64.74	52.41
Diluted net income per share (¥)	64.66	52.35

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, 2021		As of May 31, 2022	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	33,560,679	33,560,679	34,311,177	34,311,177
Trade and other receivables	4,082,157	4,082,157	3,866,841	3,866,841
Financial assets measured at fair value through other comprehensive income				
Other financial assets	4,148,616	4,148,616	7,173,161	7,173,161
Financial assets measured at fair value through profit or loss				
Other financial assets	363,183	363,183	—	—
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	7,823,519	7,823,519	7,933,804	7,933,804
Interest-bearing liabilities	114,954,565	114,941,596	115,494,270	115,483,154

Note: In the three months ended February 28, 2022, the Company finalized the provisional accounting treatment of the business combination with ICOMPANY, Inc. and its four subsidiaries and restated the figures for the previous fiscal year retroactively.

Method for measuring fair value of financial instruments

Cash and cash equivalents, trade and other receivables, trade and other payables, and current interest-bearing liabilities

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 interest-bearing liabilities

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, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	4,023,462	40,420	84,734	4,148,616
Financial assets measured at fair values through profit or loss	—	—	363,183	363,183
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	12,950	—	12,950

	As of May 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	7,030,758	40,420	101,983	7,173,161
Financial assets measured at fair value through other comprehensive income (derivative)	—	26,235	—	26,235
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	15,264	—	15,264

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, 2021	Six months ended May 31, 2022
Balance at beginning of period	535,680	447,918
Acquisition	62,053	18,161
Comprehensive income		
Profit (loss)	—	117
Other comprehensive income	(2,008)	27
Disposal	(98,425)	(364,241)
Balance at end of period	497,300	101,983

11. Significant subsequent events

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

No item to report.

Six months ended May 31, 2022 (December 1, 2021 – May 31, 2022)

(Finalization of the provisional accounting for a business combination)

In the fiscal year ended November 30, 2021, the Company applied a provisional accounting treatment to the business combination with ICOMPANY, Inc. and its four subsidiaries, which was conducted in September 2021. In the three months ended February 28, 2022, however, the Company finalized the provisional accounting treatment. By reflecting updated information obtained as a result of the finalization of the provisional accounting treatment, the Company reviewed and restated the initial allocation of acquisition costs as follows.

Fair value of consideration for the acquisition, assets acquired, and liabilities assumed at the acquisition date

(¥ thousand)

	Provisional	Retroactively restated	Finalized
Fair value of consideration for the acquisition	5,674,243		5,674,243
Current assets			
Cash and cash equivalents	1,951,066		1,951,066
Inventories	12,946,858		12,946,858
Other	339,834	118,340	458,174
Non-current assets			
Property, plant and equipment	568,772		568,772
Other	344,454	10,287	354,741
Current liabilities			
Interest-bearing liabilities	2,775,205		2,775,205
Other	895,093		895,093
Non-current liabilities			
Interest-bearing liabilities	7,962,143		7,962,143
Other	374,668		374,668
Fair value of assets acquired and liabilities assumed (net)	4,143,874	128,628	4,272,502
Goodwill	1,530,369	(128,628)	1,401,740

As the allocation of the consideration for the acquisition was completed, the Company restated the balance as of November 30, 2021 in the Consolidated Statement of Financial Position of the previous fiscal year.

(Business combination by acquisition)

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

Name of the acquired company Isogo Asset Management Co., Ltd.

Fields of business Real estate rental, brokerage, management, and trading

(2) Date of acquisition March 18, 2022

(3) Ratio of acquired capital equity with voting rights

100%

(4) Reason for conducting business combination

The share acquisition was conducted as part of the Group's purchasing methods to strengthen the Group's purchasing activities, a source of future income, given that the acquired company holds income-generating properties and is engaged in the rental business.

(5) Method for gaining control of the acquired company

Acquisition of shares with cash as consideration.

(6) Fair value of consideration for the acquisition, assets acquired, and liabilities assumed at the acquisition date

	(¥ thousand)
	Amount
Fair value of consideration for the acquisition	2,390,978
Current assets	
Cash and cash equivalents	164,377
Inventories	938,290
Other	190,823
Non-current assets	
Long-term loans receivable	1,414,000
Other	25,390
Current liabilities	
Other	29,278
Non-current liabilities	
Other	149,183
Fair value of assets acquired and liabilities assumed (net)	2,554,418
Gain on bargain purchase	163,439

Note: Gain on bargain purchase of ¥163,439 thousand was reported under "Other income" in the Condensed Quarterly Consolidated Statement of Comprehensive Income, as the fair value of the net assets acquired exceeded the fair value of the consideration for the acquisition.

(7) Acquisition-related costs

The Company reported ¥20,471 thousand in outsourcing expenses, etc., related to the acquisition of shares under selling, general and administration expenses in the consolidated statements of comprehensive income as acquisition-related costs associated with the business combination.

(8) Cash flows from the acquisition

	(¥ thousand)
	Amount
Cash and cash equivalents paid for the acquisition	(2,181,883)
Cash and cash equivalents held by the acquiree at the time of acquisition	164,377
Payment for the acquisition of subsidiaries	(2,017,506)

(9) Impact on business performance

Information on profit/loss and proforma information after the acquisition date of this business combination is not included, as their impact on the Condensed Quarterly Consolidated Financial Statements is negligible.

12. Significant subsequent events

Repurchase of the treasury shares

The Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act which is applicable in lieu of Article 165, Paragraph 3 of this act, at the board of directors' meeting held on July 5, 2022.

1. Reason for repurchase of the treasury shares

Stock will be repurchased to raise the level of shareholder return and improve capital efficiency, enabling the Company to flexibly execute capital policies that responds to changes in the business environment.

2. Details of repurchase

(1) Class of shares to be repurchased	Common share of Tosei Corporation
(2) Total number of shares to be repurchased	Up to 600,000 shares (1.3% of issued shares (excluding treasury shares))
(3) Total value of shares to be repurchased	Up to 0.5 billion yen
(4) Period for repurchase	From July 6, 2022 to December 31, 2022
(5) Method of repurchase	Discretionary investment by a securities 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

July 6, 2022

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Chuo-ku, Tokyo

Designated and Engagement Partner,
Certified Public Accountant:

_____ Takashi Aikawa (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, 2022 to May 31, 2022) and the first six-month period (December 1, 2021 to May 31, 2022) of the fiscal year from December 1, 2021 to November 30, 2022.

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, 2022, 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.