

Quarterly Securities Report

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

from June 1, 2022
to August 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 October 7, 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]

[Cover]

Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	October 7, 2022
Business year:	Third quarter of the 73rd term (from June 1, 2022 to August 31, 2022)
Company name (Japanese):	トーセイ株式会社 (<i>Tosei Kabushiki-Kaisha</i>)
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 nine months	73rd term First nine months	72nd term
Accounting period	From December 1, 2020 to August 31, 2021	From December 1, 2021 to August 31, 2022	From December 1, 2020 to November 30, 2021
Revenue (¥ thousand) [Third quarter of the current fiscal year]	52,311,732 [11,378,854]	54,933,123 [11,380,811]	61,726,449
Profit before tax (¥ thousand)	10,489,319	10,516,022	10,302,616
Profit attributable to owners of the parent (¥ thousand) [Third quarter of the current fiscal year]	7,076,939 [956,473]	7,175,426 [1,068,172]	6,721,305
Comprehensive income attributable to owners of the parent (¥ thousand)	7,793,345	7,537,690	7,134,366
Total equity (¥ thousand)	65,391,211	71,049,562	65,958,740
Total assets (¥ thousand)	174,984,367	205,227,341	195,010,899
Basic earnings per share (¥) [Third quarter of the current fiscal year]	150.71 [20.46]	151.28 [22.59]	142.56
Diluted earnings per share (¥)	150.50	151.07	142.37
Ratio of equity attributable to owners of the parent to total assets (%)	37.4	34.6	33.8
Net cash from (used in) operating activities (¥ thousand)	4,177,140	1,823,434	974,603
Net cash from (used in) investing activities (¥ thousand)	(13,074,046)	(8,476,931)	(15,448,977)
Net cash from (used in) financing activities (¥ thousand)	4,229,163	3,944,733	10,994,264
Cash and cash equivalents at end of period (¥ thousand)	32,372,677	30,859,441	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 nine months ended August 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.

ICOMPANY, Inc., 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 nine months ended August 31, 2022.

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, 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 August 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 nine months ended August 31, 2022, the Japanese economy showed signs of recovery as economic activities went back to normal with the lifting of movement restrictions and other developments. Meanwhile, it is necessary to monitor the downturn of the overseas economies on the back of global credit tightening, surging prices caused by the soaring prices of natural resources and the depreciating yen, and their effects on Japanese corporate earnings and personal consumption.

In the real estate industry where Tosei Group operates, domestic real estate investments for the six months from January to June 2022 amounted to ¥1.4 trillion, decreasing 23% year on year. Although the investment amount has undergone a slight decrease, interest in the Japanese real estate market by overseas investors remains high thanks to Japan’s continuing monetary easing policies and depreciating yen, and investment demand in office buildings, logistics facilities, and residential properties is expected to increase (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 2022 decreased 1.6% year on year to 14,984 units. The average contract rate for the first month has, in certain months, fallen below the 70% threshold from which market conditions are viewed as favorable, but it remains strong due to such factors as the increase in systematic sales after completion. In addition, in the Tokyo metropolitan area pre-owned condominium market, while the number of units contracted from January to July 2022 declined 11.9% year on year to 21,389 units, the market is booming, as evidenced by the continuing trend of rising contract prices. In the build-for-sale detached house market, housing starts for the six months from January to June 2022 came to 29,000 units (up 5.8% year on year) (according to a survey by a private research institute).

Regarding construction costs for the seven months from January to July 2022, average costs per tsubo for steel reinforced concrete structure were ¥1,514 thousand (1 tsubo = 3.30 square meters) (an increase of 29.3% year on year), and average costs per tsubo for wooden structure were ¥577 thousand (an increase of 1.8% year on year). The prices of building materials continue to soar, fueled by the military conflict between Russia and Ukraine, both major steel-exporting countries, and the depreciating yen, and construction costs continue to rise (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 2022 was 6.4% (an increase of 0.1 percentage points year on year), and the average asking rent was ¥20,262 per tsubo (a decrease of ¥783 year on year), demonstrating a downward trend, although the rate of decline has slowed down. 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 July 2022 was ¥11,018 per tsubo (an increase of 1.1% year on year) and the average occupancy rate at condominiums held by J-REIT in the Tokyo Area as of April 30, 2022 was 96.3% (unchanged from the same month of the previous year). As for the rent of apartments for singles in the 23 wards of Tokyo, the falling trend of the previous year has eased and rent remains more or less on the same level as the previous year (according to a survey by a private research institute).

In the Tokyo metropolitan area’s logistics facility leasing market, leasable stock in July 2022 amounted to 7.91 million tsubo (an increase of 15.2% year on year). The vacancy rate was 3.1%. Although this was

an increase of 1.8 percentage points from the same period of the previous year, rent continues to gradually increase. Despite the continuing strong demand, there have been cases in which certain leasing projects are taking more time due to increased supply resulting from new development (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 2022 totaled ¥21.5 trillion (an increase of ¥0.6 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 five months from January to May 2022, the average guest room occupancy rate was 50.9% (34.3% 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 19.79 million (an increase of 64.3% year on year). The hotel business exhibited signs of recovery thanks to the increase in domestic guests following the easing of the restrictions on going out, and a further boost to recovery is expected as inbound demand grows, in line with the lifting of the border entry restrictions going forward (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 nine months ended August 31, 2022 totaled ¥54,933 million (up 5.0% year on year), operating profit was ¥11,155 million (up 1.7%), profit before tax was ¥10,516 million (up 0.3%), and profit attributable to owners of the parent was ¥7,175 million (up 1.4%).

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 nine months ended August 31, 2022, the segment sold 34 properties it had renovated and 101 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 nine months ended August 31, 2022, it also acquired a total of 28 income-generating office buildings, and apartments, four land lots and 99 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 ¥33,897 million (up 12.8% year on year) and the segment profit was ¥6,569 million (down 9.2%).

Development Business

During the nine months ended August 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 67 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 nine months ended August 31, 2022, it also acquired two land lots for rental apartment projects, two land lots for rental wooden apartment projects, two land lots for income-generating office buildings and land lots for 92 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥213 million .

As a result, revenue in this segment was ¥6,524 million (down 37.8% year on year) and the segment profit was ¥1,013 million (down 20.9% year on year).

Rental Business

During the nine months ended August 31, 2022, while the segment sold 24 buildings of its inventory

assets held for leasing purposes, it newly acquired 22 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 ¥4,490 million (up 12.5% year on year) and the segment profit was ¥2,286 million (up 13.4%).

Fund and Consulting Business

During the nine months ended August 31, 2022, while ¥408,256 million was added due to new asset management contracts, ¥110,364 million was subtracted due mainly to property dispositions by funds, 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 August 31, 2022, was ¥1,718,759 million.

As a result, revenue in this segment was ¥3,949 million (up 9.0% year on year) and the segment profit was ¥2,415 million (down 1.7%).

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

Property Management Business

During the nine months ended August 31, 2022, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 796 as of August 31, 2022, an increase of 88 from August 31, 2021, with the total comprising 475 office buildings, hotels, logistic facilities and other such properties, and 321 condominiums and apartments.

As a result, revenue in this segment was ¥4,732 million (up 23.5% year on year) and segment profit was ¥811 million (up 31.7%).

Hotel Business

While the impact of COVID-19 still persisted in the nine months ended August 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 ¥1,338 million (up 325.1% year on year) and segment loss was ¥316 million (in comparison with segment loss of ¥622 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

In the domestic real estate investment market, which is the Group's mainstay market, there were no major changes in the proactive investment stance of real estate investors both in Japan and abroad and robust transactions continued. Under such an operating environment, for the nine months ended August 31, 2022, the Group's business performed well, achieving 68.7% of the full-year forecast based on revenue and 87.6% based on profit before tax. In the mainstay Revitalization Business, sales of office buildings, income-generating apartments, condominium units, etc., progressed as planned, resulting in a slight upward swing in the profit margin that was higher than projected at the beginning of the fiscal year. Meanwhile, in the Development Business, given that the completion and delivery of condominiums are expected in the fourth quarter of the fiscal year under review, performance was more or less according to the internal plan, despite operating profit falling below 50% of the full-year forecast.

In addition, in the Stock and Fee Business, the Company's stable source of income, profits for each business including the Hotel Business, which is still on the road to recovery, were mostly according to plan. In particular, the Fund and Consulting Business, which has continued to grow in recent years by supporting the market growth of real estate funds, increased its balance of assets under management to over ¥1.7 trillion (a year-on-year increase of ¥297.8 billion). In the third quarter, the Tosei Real Estate Crowd (TREC) Funding scheme, an investment product targeting individual investors, completed the offering of its fourth fund and commenced operation in September. Going forward, the Company will continue to aim for business growth by offering high-quality services to real estate investors both in Japan and abroad and individual investors.

Recently, our nation's economy has been witnessing rising uncertainty over the business environment due to the tightening of monetary policies in Europe and the U.S., the soaring prices of natural resources, and concerns over the slowdown of the global economy. Nevertheless, the domestic real estate investment market is attracting even greater attention from overseas investors thanks to the continuing low interest-

rate environment and the current weakening of the yen. 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 August 31, 2022, total assets were ¥205,227 million, an increase of ¥10,216 million compared with November 30, 2021, while total liabilities were ¥134,177 million, an increase of ¥5,125 million.

Increase in total assets were due to an increase in inventories and other financial assets despite a decrease in cash and cash equivalents. Increase in total liabilities were due to an increase in trade and other payables and Interest-bearing liabilities and a decrease in current income tax liabilities.

Total equity increased by ¥5,090 million to ¥71,049 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, 2022 totaled ¥30,859 million, down ¥2,701 million compared with November 30, 2021.

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

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥1,823 million (down 56.3% year on year). This is mainly due to profit before tax of ¥10,516 million, an increase in inventories of ¥4,728 million, income taxes paid of ¥5,099 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥8,476 million (down 35.2% year on year). This is mainly due to purchase of investment properties of ¥3,095 million, other financial assets of ¥2,910 million, payments for acquisition of subsidiaries of ¥2,308 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥3,944 million (down 6.7% year on year). This mainly reflects ¥30,115 million in proceeds from non-current borrowings, despite ¥23,908 million in the repayments of non-current borrowings and ¥1,814 million in cash dividends paid.

(4) Operational and financial issues to be addressed

During the nine months ended August 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 third 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 August 31, 2022)	Number of issued shares (Shares: as of the date of filing: October 7, 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 June 1, 2022 to August 31, 2022	—	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, 2022, which is the latest record date, as the information as of August 31, 2022 is not yet available.

1) Issued shares

(As of August 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 August 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 July 5, 2022, the Company resolved to repurchase its own shares during a repurchase period from July 6, 2022 to December 31, 2022, and as of August 31, 2022 had repurchased 185,600 shares. In addition, the number of shares decreased by 79,800 shares due to the exercise of stock acquisition rights. As a result, the number of treasury shares as of August 31, 2022 stands at 1,459,522 shares.

2. Status of Officers

There was no change in Officers during the nine months ended August 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 third quarter of the fiscal year ending November 30, 2022 (from June 1, 2022 to August 31, 2022) and for the first nine months of the fiscal year ending November 30, 2022 (from December 1, 2021 to August 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 August 31, 2022
Assets			
Current assets			
Cash and cash equivalents	10	33,560,679	30,859,441
Trade and other receivables	10	4,139,380	5,538,364
Inventories	6	85,210,849	94,690,791
Other current assets		46,903	18,333
Total current assets		122,957,812	131,106,930
Non-current assets			
Property, plant and equipment		23,860,236	23,193,853
Investment properties		39,812,070	39,938,120
Goodwill		1,401,740	1,401,740
Intangible assets		191,758	214,414
Trade and other receivables	10	1,509,310	1,400,220
Other financial assets	10	4,511,800	7,519,371
Deferred tax assets		752,916	439,434
Other non-current assets		13,254	13,254
Total non-current assets		72,053,087	74,120,410
Total assets		195,010,899	205,227,341
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	4,976,342	6,112,913
Interest-bearing liabilities	10	11,432,641	10,404,832
Current income tax liabilities		2,625,593	713,337
Provisions		788,366	419,594
Total current liabilities		19,822,944	17,650,678
Non-current liabilities			
Trade and other payables	10	4,373,252	4,032,050
Interest-bearing liabilities	10	103,521,924	110,561,086
Retirement benefits obligations		646,515	682,692
Provisions		15,284	15,408
Deferred tax liabilities		672,238	1,235,862
Total non-current liabilities		109,229,215	116,527,101
Total Liabilities		129,052,159	134,177,779
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,790,172	6,785,094
Retained earnings		53,250,370	58,601,468
Treasury shares		(911,662)	(1,537,669)
Other components of equity		204,969	575,778
Total equity attributable to owners of the parent		65,958,740	71,049,562
Total equity		65,958,740	71,049,562
Total liabilities and equity		195,010,899	205,227,341

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income
Nine months ended August 31, 2022

(¥ thousand)

	Notes	Nine months ended August 31, 2021	Nine months ended August 31, 2022
Revenue	5,7	52,311,732	54,933,123
Cost of revenue		34,634,605	35,567,135
Gross profit		17,677,127	19,365,988
Selling, general and administrative expenses		6,781,521	8,553,861
Other income		137,135	349,233
Other expenses		67,319	5,415
Operating profit	5	10,965,422	11,155,944
Finance income		139,928	190,762
Finance costs		616,031	830,684
Profit before tax		10,489,319	10,516,022
Income tax expense		3,409,986	3,340,595
Profit for the period		7,079,332	7,175,426
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		709,231	319,371
Remeasurements of defined benefit pension plans		—	(8,544)
Subtotal		709,231	310,826
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		10,314	36,076
Net change in fair values of cash flow hedges		(3,139)	15,361
Subtotal		7,175	51,437
Other comprehensive income for the period, net of tax		716,406	362,264
Total comprehensive income for the period		7,795,738	7,537,690
Profit attributable to:			
Owners of the parent		7,076,939	7,175,426
Non-controlling interests		2,393	—
Profit for the period		7,079,332	7,175,426
Total comprehensive income attributable to:			
Owners of the parent		7,793,345	7,537,690
Non-controlling interests		2,393	—
Total comprehensive income for the period		7,795,738	7,537,690
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	150.71	151.28
Diluted earnings per share (¥)	9	150.50	151.07

Third quarter ended August 31, 2022

(¥ thousand)

	Notes	Third quarter ended August 31, 2021	Third quarter ended August 31, 2022
Revenue	5	11,378,854	11,380,811
Cost of revenue		7,491,034	6,732,048
Gross profit		3,887,820	4,648,763
Selling, general and administrative expenses		2,177,795	2,874,577
Other income		22,477	23,998
Other expenses		(74)	123
Operating profit	5	1,732,576	1,798,061
Finance income		4,037	2,033
Finance costs		206,969	284,805
Profit before tax		1,529,644	1,515,290
Income tax expense		573,170	447,117
Profit for the period		956,473	1,068,172
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		78,800	230,176
Subtotal		78,800	230,176
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(2,407)	12,632
Net change in fair values of cash flow hedges		8,306	4,073
Subtotal		5,898	16,705
Other comprehensive income for the period, net of tax		84,699	246,882
Total comprehensive income for the period		1,041,173	1,315,055
Profit attributable to:			
Owners of the parent		956,473	1,068,172
Total comprehensive income attributable to:			
Owners of the parent		1,041,173	1,315,055
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	20.46	22.59
Diluted earnings per share (¥)	9	20.43	22.54

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(¥ thousand)

Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the 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

Nine months ended August 31, 2022 (December 1, 2021 – August 31, 2022)

(¥ thousand)

Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of the 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			7,175,426			7,175,426	7,175,426
Other comprehensive income					362,264	362,264	362,264
Total comprehensive income for the period	—	—	7,175,426	—	362,264	7,537,690	7,537,690
Amount of transactions with owners							
Purchase of treasury shares		(1,730)		(731,388)		(733,118)	(733,118)
Disposal of treasury shares		(3,347)		105,380		102,032	102,032
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 August 31, 2022	6,624,890	6,785,094	58,601,468	(1,537,669)	575,778	71,049,562	71,049,562

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Nine months ended August 31, 2021	Nine months ended August 31, 2022
Cash flows from operating activities			
Profit before tax		10,489,319	10,516,022
Depreciation expense		1,114,930	1,180,538
Increase (decrease) in provisions and retirement benefits obligations		(245,896)	(332,505)
Interest and dividend income		(139,928)	(190,762)
Interest expenses		616,031	830,684
Decrease (increase) in trade and other receivables		(232,537)	(578,508)
Decrease (increase) in inventories		(4,802,588)	(4,728,096)
Increase (decrease) in trade and other payables		(736,606)	175,495
Other, net		7,811	(251,287)
Subtotal		6,070,534	6,621,580
Interest and dividend income received		249,685	301,138
Income taxes paid		(2,499,952)	(5,099,283)
Income taxes refund		356,873	—
Net cash from (used in) operating activities		4,177,140	1,823,434
Cash flows from investing activities			
Purchase of property, plant and equipment		(924,658)	(63,107)
Purchase of investment properties		(12,176,366)	(3,095,073)
Purchase of intangible assets		(19,585)	(65,022)
Payments of loans receivable		—	(434,300)
Collection of loans receivable		63	4,733
Purchase of other financial assets		(62,053)	(2,910,715)
Collection of other financial assets		104,224	363,622
Payments for acquisition of subsidiaries		—	(2,308,474)
Other, net		4,330	31,406
Net cash from (used in) investing activities		(13,074,046)	(8,476,931)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		1,519,800	1,516,150
Proceeds from non-current borrowings		37,248,700	30,115,348
Repayments of non-current borrowings		(32,107,429)	(23,908,744)
Redemption of bonds		—	(55,678)
Repayments of lease obligations		(172,998)	(318,453)
Repayments to non-controlling interests		(117,600)	—
Capital contribution from non-controlling interests		117,600	—
Cash dividends paid		(896,180)	(1,814,234)
Dividends paid to non-controlling interests		(2,771)	—
Purchase of treasury shares		(500,049)	(731,388)
Proceeds from disposal of treasury shares		18,208	102,410
Interest expenses paid		(878,116)	(960,676)
Net cash from (used in) financing activities		4,229,163	3,944,733
Net increase (decrease) in cash and cash equivalents		(4,667,741)	(2,708,762)
Cash and cash equivalents at beginning of period		37,039,600	33,560,679
Effect of exchange rate change on cash and cash equivalents		850	7,524
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		(31)	—
Cash and cash equivalents at end of period		32,372,677	30,859,441

(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 third quarter (June 1, 2022 to August 31, 2022) and first nine months (December 1, 2021 to August 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 October 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 August 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 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.

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 nine months ended August 31, 2021 is also provided based on the changed segment name.

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

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 to 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

Nine months ended August 31, 2022

(December 1, 2021 – August 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	33,897,185	6,524,440	4,490,810	3,949,920	4,732,203	1,338,563	—	54,933,123
Intersegment revenue	—	—	112,757	9,642	1,024,955	6,017	(1,153,372)	—
Total	33,897,185	6,524,440	4,603,568	3,959,563	5,757,158	1,344,580	(1,153,372)	54,933,123
Segment profit or loss	6,569,951	1,013,589	2,286,109	2,415,634	811,386	(316,374)	(1,624,352)	11,155,944
Finance income/costs, net								(639,922)
Profit before tax								10,516,022

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 to 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

Third quarter ended August 31, 2022

(June 1, 2022 – August 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	4,945,269	1,468,122	1,605,868	1,239,977	1,604,562	517,010	—	11,380,811
Intersegment revenue	—	—	39,159	1,571	327,976	3,404	(372,111)	—
Total	4,945,269	1,468,122	1,645,028	1,241,548	1,932,539	520,414	(372,111)	11,380,811
Segment profit or loss	501,951	216,480	839,408	654,451	265,731	(57,311)	(622,648)	1,798,061
Finance income/costs, net								(282,771)
Profit before tax								1,515,290

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, 2021	Nine months ended August 31, 2022
The amount of loss on valuation	—	6,377
The amount of reversal of valuation loss	1,593,998	746,452

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, 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	8,169,288
Revenue recognized from other sources	—	—	3,551,889	8,594	—	80,399	3,640,882
Revenue to external customers	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.

Nine months ended August 31, 2022

(December 1, 2021 – August 31, 2022)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	33,897,185	6,516,263	—	—	—	—	40,413,448
Revenue from services	—	8,177	454,614	3,948,427	4,732,203	1,257,117	10,400,540
Revenue recognized from other sources	—	—	4,036,195	1,493	—	81,445	4,119,134
Revenue to external customers	33,897,185	6,524,440	4,490,810	3,949,920	4,732,203	1,338,563	54,933,123

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, 2021 and August 31, 2022 are as follows:

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

Nine months ended August 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

	Nine months ended August 31, 2021	Nine months ended August 31, 2022
Profit attributable to owners of the parent (¥ thousand)	7,076,939	7,175,426
Net income used to figure diluted net income per share (¥ thousand)	7,076,939	7,175,426
Weighted average number of outstanding ordinary shares (shares)	46,958,245	47,431,318
The number of increased ordinary shares used to figure diluted earnings per share (shares)	63,523	64,904
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,021,768	47,496,222
Basic earnings per share (¥)	150.71	151.28
Diluted net income per share (¥)	150.50	151.07

	Third quarter ended August 31, 2021	Third quarter ended August 31, 2022
Profit attributable to owners of the parent (¥ thousand)	956,473	1,068,172
Net income used to figure diluted net income per share (¥ thousand)	956,473	1,068,172
Weighted average number of outstanding ordinary shares (shares)	46,749,878	47,277,728
The number of increased ordinary shares used to figure diluted earnings per share (shares)	73,537	110,780
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	46,823,415	47,388,508
Basic earnings per share (¥)	20.46	22.59
Diluted net income per share (¥)	20.43	22.54

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, 2021		As of August 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	30,859,441	30,859,441
Trade and other receivables	4,082,157	4,082,157	4,162,699	4,162,699
Financial assets measured at fair value through other comprehensive income				
Other financial assets	4,148,616	4,148,616	7,519,371	7,519,371
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	8,041,315	8,041,315
Interest-bearing liabilities	114,954,565	114,941,596	120,965,919	120,957,558

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 interest-bearing liabilities 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

(¥ thousand)

	As of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	7,362,383	40,317	116,670	7,519,371
Financial assets measured at fair value through other comprehensive income (derivative)	—	26,122	—	26,122
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	9,170	—	9,170

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, 2021	Nine months ended August 31, 2022
Balance at beginning of period	535,680	447,918
Acquisition	62,053	32,961
Comprehensive income		
Profit (loss)	(2,591)	(53)
Other comprehensive income	(2,151)	164
Disposal	(98,455)	(364,320)
Balance at end of period	494,535	116,670

11. Business combinations

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

No item to report.

Nine months ended August 31, 2022 (December 1, 2021 – August 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	(2,275,978)
Cash and cash equivalents held by the acquiree at the time of acquisition	164,377
Payment for the acquisition of subsidiaries	(2,111,601)

(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

No item to report.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

October 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

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, 2022 to August 31, 2022) and the first nine-month period (December 1, 2021 to August 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 August 31, 2022, 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

*1.The original copy of the Quarterly Review Report in above, 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.