Annual Securities Report

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

(The English translation of the
"Yukashoken-Houkokusho" for the 73rd term)

from December 1, 2021
to November 30, 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 Annual Securities Report (YUKASHOKEN-HOKOKUSHO) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 27, 2023 pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	69th term	70th term	71st term	72nd term	73rd term
Accounting period	Fiscal year ended Nov. 30, 2018	Fiscal year ended Nov. 30, 2019	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022
Revenue (¥ thousand)	61,543,319	60,727,704	63,939,781	61,726,449	70,953,486
Profit before tax (¥ thousand)	10,171,017	12,090,095	5,901,313	10,302,616	12,753,538
Profit attributable to owners of parent (¥ thousand)	6,852,237	8,447,032	3,602,339	6,721,305	8,607,088
Comprehensive income attributable to owners of parent (¥ thousand)	6,856,712	8,684,946	3,064,864	7,134,366	8,784,368
Total equity (¥ thousand)	52,021,782	58,306,499	58,969,524	65,958,740	72,290,677
Total assets (¥ thousand)	138,768,538	161,894,056	161,684,503	195,010,899	210,955,801
Equity attributable to owners of parent per share (¥)	1,071.63	1,225.27	1,250.00	1,380.36	1,529.65
Basic earnings per share (¥)	141.36	176.40	76.05	142.56	181.66
Diluted earnings per share (¥)	141.12	175.83	75.94	142.37	181.33
Ratio of equity attributable to owners of parent to total assets (%)	37.5	36.0	36.5	33.8	34.3
Ratio of earnings on equity attributable to owners of parent (%)	14.0	15.3	6.1	10.8	12.5
Price earnings ratio (PER) (Times)	7.28	7.55	15.29	6.76	7.72
Net cash from (used in) operating activities (¥ thousand)	7,615,322	(3,799,892)	12,509,792	974,603	(197,084)
Net cash from (used in) investing activities (¥ thousand)	(10,786,784)	(2,133,119)	(4,054,077)	(15,448,977)	(9,081,101)
Net cash from (used in) financing activities (¥ thousand)	5,941,884	11,412,129	(3,414,376)	10,994,264	7,477,196
Cash and cash equivalents at end of period (¥ thousand)	26,520,569	31,998,929	37,039,600	33,560,679	31,767,008
Number of employees [Separately, average number of temporary employees] (Person)	431 [139]	457 [124]	509 [141]	638 [175]	663 [193]

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

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

Term	69th term	70th term	71st term	72nd term	73rd term
Accounting period	Fiscal year ended Nov. 30, 2018	Fiscal year ended Nov. 30, 2019	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022
Net sales (¥ thousand)	48,061,639	48,861,295	51,958,230	47,452,190	43,063,515
Ordinary income (¥ thousand)	6,770,624	9,770,383	3,382,780	9,690,159	10,678,418
Net income (¥ thousand)	5,054,356	7,273,194	2,594,607	7,452,678	8,687,116
Capital stock (¥ thousand)	6,554,139	6,579,844	6,624,890	6,624,890	6,624,890
Total number of shares issued (Shares)	48,544,800	48,595,300	48,683,800	48,683,800	48,683,800
Net assets (¥ thousand)	46,965,634	52,076,260	51,737,131	59,467,346	65,863,314
Total assets (¥ thousand)	127,844,930	149,812,509	148,071,547	171,076,831	189,896,706
Net assets per share (¥)	966.65	1,093.35	1,095.59	1,243.27	1,393.00
Dividends per share (¥) [Interim dividends per share] (¥)	30.00 [–]	42.00 [–]	19.00 [–]	38.00 [–]	51.00 [–]
Net income per share (¥)	104.27	151.89	54.77	158.08	183.35
Net income per share (diluted) (¥)	104.09	151.40	54.70	157.86	183.02
Equity ratio (%)	36.7	34.7	34.9	34.7	34.7
Return on equity (ROE) (%)	11.3	14.7	5.0	13.4	13.9
Price earnings ratio (PER) (Times)	9.87	8.76	21.23	6.09	7.65
Dividend payout ratio (%)	28.8	27.7	34.7	24.0	27.8
Number of employees [Separately, average number of temporary employees] (Person)	181 [–]	191 [–]	195 [2]	215 [2]	244 [–]
Total shareholder return(%)	96.7	128.1	114.5	99.7	144.5
(Comparativeindex1: Dividend-included TOPIX(%)	(95.1)	(99.4)	(105.1)	(118.0)	(124.8)
(Comparativeindex2: Dividend-unincluded TOPIX Sector Index (REAL ESTATE))(%)	(97.8)	(103.3)	(91.3)	(93.3)	(107.2)
Highest share prices (¥)	1,529	1,467	1,572	1,258	1,506
Lowest share prices (¥)	953	759	782	950	952

Note: Due to the revision of the market classification of the Tokyo Stock Exchange on April 4, 2022, the highest and lowest prices were the prices on the Tokyo Stock Exchange (First Section) before April 4, 2022 and the prices on the Tokyo Stock Exchange (Prime Market) on or after April 4, 2022.

2. History

Date	Details of change
February 1950	Established as Yukari Kogyo Co., Ltd. with purpose of engaging in restaurant business at location of 514 Oaza Oita, Oita-shi, Oita Prefecture, Japan (Capital: ¥500,000)
April 1952	Moved head office to Kameido, Koto-ku, Tokyo
June 1964	Added real estate trading, brokerage, rental and management businesses to scope of business purpose
May 1968	Moved head office to Sotokanda, Chiyoda-ku, Tokyo
July 1969	Changed trade name to Yukari Co., Ltd.
March 1973	Obtained license of building lots and buildings transaction business (License Number: Governor of Tokyo (1) No. 24043)
March 1983	Changed trade name to Tosei Building Co., Ltd.
April 1986	Moved head office to Iwamoto-cho, Chiyoda-ku, Tokyo
October 1994	Started sales of condominiums of “THE Palms” series
September 1995	Established Kanda Awaji-cho Building Co., Ltd.
March 1996	Changed trade name to Tosei Fudosan Co., Ltd.
April 1996	Launched revitalization business
December 1996	Moved head office to Kanda Awaji-cho, Chiyoda-ku, Tokyo
December 1997	Launched contract work, including repair and restoration, incidental to building management business upon obtaining license of specified construction business (License Number: Governor of Tokyo (Special-9) No. 107905)
July 1999	Started sales of detached houses of “Palms Court” series
February 2001	Launched asset management business upon registering general real estate investment advisory business (Registration Number: Minister of Land, Infrastructure, Transport and Tourism No. 127)
March 2001	Merged with Kabushiki Kaisha. Konmasa Shoten, Nihon Kogyo Jutaku Kabushiki Kaisha. and Hidaka Kogyo Kabushiki Kaisha. by absorption-type merger using LBO (leveraged buyout) technique
April 2001	Registered first-class architectural firm (Registration Number: Governor of Tokyo No. 46219)
November 2001	Span off Building Management Division engaged in building management services and transferred it to Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged)
December 2001	Established Securitization Business Division to realize full-scale entry into real estate securitization business
August 2002	Structured “Argo Fund,” a private placement fund investing in trust beneficiary rights in rental condominiums, as our first real estate investment fund
December 2002	Merged with our subsidiary Kanda Awaji-cho Building Co., Ltd. by absorption-type merger
February 2004	Registered shares as over-the-counter securities at Japan Securities Dealers Association
September 2004	Obtained license of real estate specified joint enterprise (License Number: Governor of Tokyo No. 58)
December 2004	Cancelled registration as over-the-counter securities at Japan Securities Dealers Association and listed shares on Jasdaq Securities Exchange (later delisted shares in January 2008)
March 2005	Established Tosei Revival Investment Co., Ltd. (currently consolidated subsidiary Tosei Logistics Management Co., Ltd.)
April 2005	Made Tosei Community Co., Ltd. (currently consolidated subsidiary Tosei Community Co., Ltd., Japanese name of which has changed with English name unchanged) a consolidated subsidiary by acquiring its shares
September 2005	Established Tosei REIT Advisors, Inc. (currently consolidated subsidiary Tosei Asset Advisors, Inc.)
October 2006	Changed trade name to Tosei Corporation and moved head office to Toranomon, Minato-ku, Tokyo
November 2006	Listed shares on Second Section of Tokyo Stock Exchange
September 2007	Registered type II financial instruments business and investment advisory and agency business (Registration Number: Director-General of Kanto Local Finance Bureau (Kinsho) No. 898)
September 2009	Launched “Restyling business” as a new business model of revitalization business
September 2011	Listed shares on First Section of Tokyo Stock Exchange
January 2012	Established Tosei Singapore Pte. Ltd.
December 2012	Established NAI TOSEI Japan, Inc. (Liquidation completed on August 2016)
March 2013	Listed shares on Main Board of Singapore Exchange
November 2014	Tosei Reit Investment Corporation, which is managed by Tosei Asset Advisors, Inc., a consolidated subsidiary of Tosei Corporation, listed shares on Tokyo Stock Exchange
December 2015	Made Urban Home Corporation (In March 2019, trade name changed to Tosei Urban Home Co., Ltd.) a consolidated subsidiary by acquiring its shares (Liquidation completed in May 2022.)
February 2016	Established Tosei Hotel Management Co., Ltd.
June 2017	Established Tosei Hotel Kanda Co., Ltd. (became a non-surviving company due to the merger with the consolidated subsidiary Tosei Hotel Management Co., Ltd. in April 2020)
December 2017	Commenced the Hotel Business (opened the Tosei Group’s first hotel, Tosei Hotel COCONE Kanda)

Date	Details of change
May 2018	Established Tosei Hotel Ueno Co., Ltd. (became a non-surviving company due to the merger with the consolidated subsidiary Tosei Hotel Management Co., Ltd. in April 2020)
July 2018	Established Tosei Hotel Service Co., Ltd.
April 2020	Commenced the development of logistics facilities as a new asset type in the Development Business (completed construction of T's Logi Hashimoto as the first project)
July 2020	Commenced real estate securitization business utilizing crowdfunding (launched TREC No.1 Setagaya-ku Yoga Apartment Investment Fund as the first project)
April 2021	Moved head office to Shibaura, Minato-ku, Tokyo
September 2021	Made ICOMPANY, Inc. and its four subsidiaries consolidated subsidiaries by acquiring its shares (ICOMPANY, Inc., Princess Holdings Co., Ltd., G.P. Asset Co., Ltd. and Let's Creation Co., Ltd. ceased to exist during the fiscal year ended November 30, 2022 due to an absorption-type merger with consolidated subsidiary Princess Square Co., Ltd as the surviving company)
April 2022	Due to the revision of the market classification of the Tokyo Stock Exchange, the Company moved from the First Section to the Prime Market

3. Business description

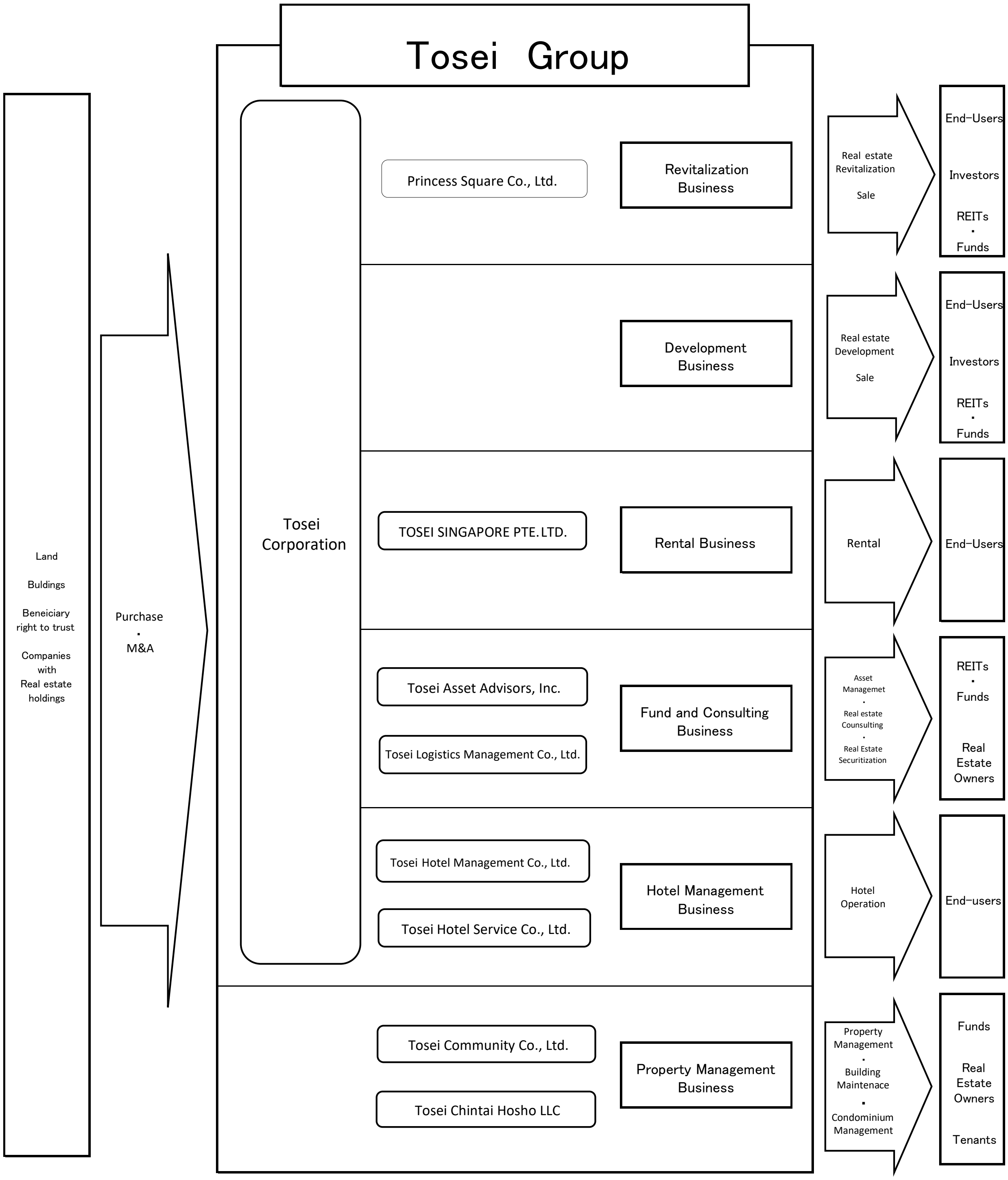
The Tosei Group is composed of Tosei Corporation ("Tosei" or the "Company") and 12 consolidated subsidiaries. Its main businesses are the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business and the Hotel Business.

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

Segment	Operations	Main Companies
Revitalization Business	The Tosei Group acquires, through diverse means (*1), office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value though "value-up plans" (*2) judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. In the "Restyling Business," the Group acquires income-generating condominiums and sells their units to end-users after boosting the value of common and private areas by renovation. The Tosei Group's "value-up" activities go beyond just renewing properties and involve realizing comprehensive regenerations of their values. This put a focus on not only improving the convenience and functionality of properties but also providing satisfaction to owners and giving end users a sense of pride. (*1) The Company carries out the acquisition of superior real estate through a broad range of means that include not only buying and selling actual real estate, but also acquisitions through the means of "real estate M&A" where real estate held by companies with real estate holdings and by real estate business operators is acquired through M&A, and through real estate collateralized loans and rights adjustment for substitute performance real estate. (*2) The Tosei Group's "value-up plans" consist of the three primary components of improved designs to refurbish/renovate internal and external elements that have deteriorated or become obsolete, enhanced security functions, etc., to increase the security and functionality of facilities, and incorporating eco-friendly designs and equipment that take the environment into consideration, in addition to improved profitability through conversion projects, vacancy countermeasures, rent increases, etc.	Tosei Corporation, Princess Square Co., Ltd.
Development Business	In the main districts of Tokyo, which form the Tosei Group's core operating area, there is a mixture of needs for office, commercial and residential space and other uses, and these different uses create significant differences between land values. Tosei verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, Tosei carries out development and new construction to maximize the value of the land, and then sells whole buildings or individual units. The Group is able to respond to diverse needs by developing office buildings, commercial buildings (T's BRIGHTIA series) and mixed-use buildings, hotels, logistics facilities, condominiums (THE Palms series), as well as detached houses (THE Palms Court series and Comodo Casa series). Once development is complete or tenants have been found, the properties are sold to buyers including investors, real estate funds, and end-users.	Tosei Corporation
Rental Business	The Tosei Group has expanded the scope of its business primarily in the main districts of Tokyo by acquiring office buildings, condominiums, stores and parking lots, and renting them out to end-users and others. As a landlord, the Tosei Group is capable of swiftly gathering accurate information on tenant needs to further enhance "value-up plans" by reflecting these needs.	Tosei Corporation

Fund and Consulting Business	The Tosei Group conducts business as a type II financial instruments business as well as an investment advisory and agency business and an investment management business as provided for in the Financial Instruments and Exchange Act. Specifically, in addition to providing Tosei Reit Investment Corporation's asset management services, the Tosei Group also provides services such as selling and brokering trust beneficiary rights, and management of income-generating properties as asset management services for real estate funds. Also, the Tosei Group provides consulting services and real estate brokerage related to corporate real estate held by business entities.	Tosei Asset Advisors, Inc
Property Management Business	This business carries out building and equipment management, and security (building maintenance) for office buildings, apartments, hotels, commercial facilities, and educational facilities; owner proxy services, tenant management, tenant solicitation, and building management (property management); and management services for condominiums. With respect to building maintenance, in order to streamline building owners' operations through building maintenance, the management of equipment, etc., the business maintains the asset values of buildings by implementing precise maintenance plans regarding the age-related deterioration of buildings. With respect to property management, the business provides comprehensive property management such as finding the most suitable tenants and proposing medium- to long-term property renewals, with the aim of realizing maximized owner profit. In the management of condominium, this business makes full use of the knowhow it has accumulated over a number of years to provide total support to management associations from their launch to helping them operate smoothly once they are started up.	Tosei Community Co., Ltd.
Hotel Business	Tosei will move forward proactively with the development of the Tosei Hotels COCONE, hotels with its own brand, and with the conversion of used office buildings into hotels in the Tokyo metropolitan area. The Company provides a range of different services, and has developed hotels utilizing the expertise and networks built up over time in areas including the Development Business, Revitalization Business, and Rental Business.	Tosei Hotel Management Co., Ltd.

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



4. Status of subsidiaries and associates

Name	Location	Capital or investment in capital (¥ thousand)	Major lines of business	Holding rate of voting rights (%)	Relationship
Consolidated subsidiaries					
Tosei Community Co., Ltd.	Minato-ku, Tokyo	99,500	Property management business	100.0	Managing the Company's real estate holdings and interlocking directorate
Tosei Asset Advisors, Inc.	Minato-ku, Tokyo	100,000	Fund and consulting business	100.0	Interlocking directorate
Tosei Logistics Management Co., Ltd.	Minato-ku, Tokyo	50,000	Real estate consulting business	100.0	Interlocking directorate
Tosei Hotel Management Co., Ltd.	Minato-ku, Tokyo	100,000	Hotel business	100.0	Interlocking directorate
Tosei Hotel Service Co., Ltd.	Minato-ku, Tokyo	10,000	Hotel business	100.0	
Princess Square Co., Ltd.	Shibuya-ku, Tokyo	96,000	Revitalization business	100.0	Interlocking directorate
Tosei Chintai Hosho LLC	Minato-ku, Tokyo	3,000	Property management business	100.0	
Tosei Singapore Pte. Ltd.	Singapore	322,787	Rental Business	100.0	
Kishino Corporation	Minato-ku, Tokyo	10,000	Rental Business	100.0	Interlocking directorate
Masuda Kenzai-ten Co., Ltd.	Minato-ku, Tokyo	60,500	Development business	100.0	
Sanki-shoji Co., Ltd.	Minato-ku, Tokyo	30,000	Revitalization business	100.0	
Isogo Asset Management Co., Ltd.	Minato-ku, Tokyo	15,000	Revitalization business	100.0	

Notes:1. During the fiscal year under review, the Company acquired shares in Isogo Asset Management Co., Ltd. and Threefold Co., Ltd., and accordingly, has included them in the scope of consolidation.

2. During the fiscal year under review, Princess Holdings Co., Ltd., ICOMPANY, Inc., G.P. Asset Co., Ltd. and Let's Creation Co., Ltd. ceased to exist due to an absorption-type merger with Princess Square Co., Ltd. as the surviving company, and accordingly, they have been excluded from the scope of consolidation.

3. During the fiscal year under review, Tosei Urban Home Corporation and Threefold Co., Ltd. have been excluded from the scope of consolidation as a result of the completion of their liquidation.

5. Status of employees

(1) Consolidated companies

(As of November 30, 2022)

Segment	Number of employees (Person)	
Revitalization Business	111	[8]
Development Business	58	[1]
Rental Business	19	[–]
Fund and Consulting Business	149	[1]
Property Management Business	156	[124]
Hotel Business	72	[59]
Corporate (common)	98	[-]
Total	663	[193]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this fiscal year is given in brackets separately.
2. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

(2) Filing company (Tosei)

(As of November 30, 2022)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (¥ thousand)
244	36.1	5.2	8,035

Segment	Number of employees (Person)
Revitalization Business	74
Development Business	57
Rental Business	6
Fund and Consulting Business	9
Hotel Business	—
Corporate (common)	98
Total	244

Notes: 1. The number of employees indicates the number of working employees.
2. The average annual salary includes bonuses and surplus wages.
3. The number of employees in the "Corporate (common)" row is the number of those belonging to the administrative department.

(3) Status of labor union

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

II. Review of operations

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

Forward-looking statements included in this section are based on judgement by the Group's management as of November 30, 2022.

(1) Fundamental management policy

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

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

1）Management environment

The real estate investment market is easily affected by the trends of global economy and financial policies, and even in the Tokyo metropolitan area real estate investment market, which is the Group's mainstay market, there has been a rising uncertainty due to concerns over recession on the back of ongoing inflation and credit tightening in Europe and the U.S. Currently, liquidity of real estate and transaction prices remain high with continuing robust investment demand from investors both in Japan and abroad, however, the real estate market will need to be watched for the possibility of entering an adjustment phase caused by changes in the stance of real estate investors reacting to the Bank of Japan expanding the range of fluctuation in the long-term interest rate in December 2022, further changes in domestic financial policies, and tightening in the lending attitude of financial institutions. Moreover, we are aware that we will need to closely monitor the trend as the "zero-zero loan," which was implemented as a measure against impact of COVID-19 that practically provides loans without interest and collateral to small and medium-sized enterprises, has come to an end and the repayment deadlines will peak in the summer of 2023.

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

Amid this business environment, the Group has formulated and has been promoting its three-year medium-term management plan in an effort to enhance corporate value. The medium-term management plan, "Infinite Potential 2023," covering the period from December 2020 to November 2023, upholds the main policy to "Pursue the Group's infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company." Under the plan, the Group is expanding existing businesses for the further growth of the Group and enhancing existing businesses through the promotion of DX, while making efforts to put ESG management into practice. in addition, As we approach the final year, the sales plan in the Revitalization Business and the Development Business has been revised in light of the current outlook of the business environment, the performance trends, and the inventories portfolio. The projected profit margin in the Revitalization Business has risen, profit before tax of the initial plan is maintained, while consolidated revenue is revised downward.

Medium-term Management Plan "Infinite Potential 2023" (from December 2020 to November 2023)

<Main Policy>

"Pursue the Group's infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company."

<Basic Policies>

Basic policy 1. Expand existing businesses and increase operating profit with a focus on environmental/ social issues

Basic policy 2. Enhance existing businesses and create new income-generating models through DX

Basic policy 3. Implement a balance sheet strategy with a focus on increasing business scale, Group-held assets and capital efficiency

Basic policy 4. Implement Group strategy and organizational strategy with a focus on achieving both governance and efficiency

Basic policy 5. Improve operational and administrative efficiency through the promotion of utilization of IT and enhance employee satisfaction conducive to improving productivity

Basic policy 6. Promote business management and ESG with a focus on sustainability

<Quantitative Plan> *Underlined sections indicate revisions.

Growth potential:	Consolidated revenue for the final fiscal year of the plan: ¥85 billion Consolidated profit before tax for the final fiscal year of the plan: ¥14 billion
Capital efficiency:	ROE of 12% or more in the final fiscal year of the plan
Stability:	Stable businesses ratio (operating profit-basis) 42% or more
Financial soundness:	Equity ratio of around 35%
	Net debt-to-equity ratio: About 1.3 times
Shareholder returns:	Aim to gradually raise payout ratio from 25% to 30% over three years Consider repurchase of own shares with a focus on capital efficiency

In this plan, the Group sets out "pursue the Group's infinite growth potential" as the main policy, and will strive for further growth, business transformation through the use of digital technology, contribution to SDGs through business and promotion of ESG management to improve corporate value. Specifically, the Group aims to promote initiatives Group-wide by incorporating efforts on environmental/social issues in the individual measures of each business. The Revitalization Business aims to extend the service life of buildings by renovating existing real estate, as well as differentiate and improve profitability of products by creating added value through upgrades focusing on comfort and safety. The Development Business will incorporate elements such as eco-friendliness and crime prevention/disaster preparedness in product planning with aiming to increase the brand value of each product through product planning that will be supported by customers. Both the Revitalization Business and the Development Business will leverage IT to promote sales activities, strengthen decision-making capabilities in investments and Group-wide cooperation to reinforce the structure toward expanding business scale. In the Stock and Fee Business, the stable source of income, the Group will aim to expand business scale and improve profitability through initiatives such as providing high-quality services and enhancing customer satisfaction with a focus on ESG as well as reviews of operational processes by leveraging IT in each of the Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. Recognizing that the fusion of DX and real estate presents a new business opportunity, the Group will expand assets under management in the crowd funding business, commercialize an investment scheme using security tokens, and other projects as initiatives to create new income-generating models.

On the financial front, the Group will work on effective investments while strengthening funding capabilities and maintaining a sound financial structure to support the expansion in business scale and asset balance. In addition, as a Group organizational strategy in line with the business which is both expanding in scale and diversifying in nature, the Group will streamline and reconstruct the organization, further enhance the quality of internal control, and maintain an optimal corporate governance structure to extend Group-wide cooperation and comprehensive capabilities. Furthermore, to fully activate human resources, which are the Group's most important assets, the Group will promote human resources development aiming for the growth of all officers and employees and productivity enhancement while improving employee satisfaction Group-wide.

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

The Group's business and financial issues to be addressed preferentially are as follows:

1) Business issues

Segment	Issues to be addressed preferentially Note: "E" and "S" stand for environmental and social aspects of ESG, respectively.
Revitalization Business	1. Revise acquisition policy according to the exit strategy (by size and area) on a regular basis and expand investment target; gather information efficiently and strengthen acquisitions
	2. Review value-up guidelines; resolve issues in E and S; implement the most appropriate value-up activities suited to property characteristics and customer needs
	3. Expand sales channels and sales methods and pursue efficiency
	4. Strengthen investment judgment by leveraging IT; nurture persons who can make investment decisions
	5. Strengthen the business of condominium unit sales through stronger coordination among the Group
	6. Research value-up plan in awareness of E and S; increase sales price and enhance brand value
Development Business	1. Revise acquisition policy according to property type and usage on a regular basis; gather information efficiently and strengthen acquisitions
	2. Expand sales channels and sales methods according to property characteristics and exit strategy (such as size and area) and conduct efficient sales
	3. Research the latest specs and tenant needs toward the development of Tosei's original, small- and medium-sized office buildings
	4. Pursue planning and supply of products in awareness of E and S
Rental Business	1. Increase non-current assets; manage property and acquire environmental certifications in awareness of E and S
	2. Improve occupancy rates early and continue stable occupancy
	3. Enhance property management capability as a building owner; transform operation process by promoting use of IT and leveraging DX
Fund and Consulting Business	1. Increase the balance of assets under management (REIT, private placement funds, and CRE)
	2. Maximize investor returns through stronger coordination among the Group
	3. Establish system for implementing ESG and SDGs required of a real estate asset management company
Property Management Business	1. Strengthen capacity for new acquisition that accommodates increase in number of properties under management as well as work on improving operation quality and CS; establish implementation system for SDGs befitting a company that provides one-stop service for property management and building management
	2. Strengthen asset management capacity aiming for increase in property management of logistics facilities
	3. Increase profit margin by streamlining operation through leveraging IT and reducing cost
Hotel Business	1. Achieve early recovery of occupancy rate and record operating profit; improve occupancy rate by appealing to non-price factors (expand sales channel, improve brand recognition, differentiate with competitors)
	2. Establish and strengthen management system to expand hotel business
	3. Provide appealing menus in awareness of E and S; increase repeat customers; increase daily rate

2) Financial issues

	Issues to be addressed preferentially
Financial strategy	1. Enhance funding capabilities commensurate with the expansion of business (Increase credit line, improve funding terms for acquiring non-current assets, implement bank formation strategy)
	2. Implement capital allocation that balances growth investment, financial discipline, and return of profits to shareholders (Equity ratio of around 35%, net debt-to-equity ratio of about 1.3 times, ratio of stable businesses (operating profit basis) of 42% or more, payout ratio of 30.2%)
	3. Achieve ROE of 12% or higher which exceeds cost of capital (Target for the final year of the medium-term management plan)
	4. Reduce cost and administrative burden through efficient Group-wide fund management

2. Business and other risks

Risks that have the potential to affect the performance, share price and financial position of the Tosei Group include, but are not limited to, the issues discussed below. Forward-looking statements are based on Tosei Group judgments as of November 30, 2022. The Tosei Group maintains a policy of recognizing the potential for risks to occur and working to preclude them or manage them if they arise. Furthermore, the information below is not intended to be an exhaustive list of all risks associated with the businesses of the Tosei Group or investment in the Company’s shares.

(1) Trends in economic conditions

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

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

(2) Disasters, etc.

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

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

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

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

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

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

(4) Legal regulations

1) Legal regulations

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

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

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

2) Licenses and permits, etc.

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

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

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

Tosei Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (14) No. 24043	March 23, 2027	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Investment Advisory Business Registration	Minister of Land, Infrastructure, Transport and Tourism	General–No. 127	February 28, 2026	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 30 of the Real Estate Investment Advisory Business Registration Rules)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–4) No. 107905	December 9, 2027	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	(Head office) Tokyo Governor's Registration No. 46219	April 9, 2026	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.102	–	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	Kanto Financial Bureau Chief (Financial Instruments) No. 898	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)

Tosei Asset Advisors, Inc.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (4) No. 85736	April 7, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Real Estate Specific Joint Enterprise Permit	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism	Financial services agency Commissioner, Minister of Land, Infrastructure, Transport and Tourism No.70	—	When license of the building lots and buildings transaction business has been rescinded, or the provisions of causes for disqualification of officers, etc. become applicable, the authorization shall be rescinded. (Article 36 of the Real Estate Specified Joint Enterprise Act)
Registered Financial Instrument Business (Investment Management Business, Type 2 Financial Instrument Business, Advisor and Agency)	Financial Services Agency	Kanto Financial Bureau Chief (Financial Instruments) No. 363	–	When the registration has been made through wrongful means, or there is a risk of insolvency in the light of capital or operation or the status of property, the registration shall be rescinded. (Article 52 of the Financial Instruments and Exchange Act)
License for discretionary proxy in realty trading	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism No. 52	–	When the authorization has been obtained through wrongful means, or damages have been caused to another party in the course of business, the authorization shall be rescinded. (Article 67-2 of the Building Lots and Buildings Transaction Business Act)

Tosei Community Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (5) No. 80048	September 28, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Specified Construction Business License	Governor of Tokyo	Tokyo Governor's License (Special–29) No. 119534	March 10, 2023	When a situation arises so that there is no fulltime officer or employee in the company who has experience of being engaged for five (5) years or more in specified construction business, the permission shall be rescinded. (Article 29 of the Construction Business Act)
First Class Architect's Office License	Governor of Tokyo	Tokyo Governor's Registration No. 49526	January 14, 2024	When the registration has been made through wrongful means, or the provisions of causes for disqualification of the first-class registered architect, etc. become applicable, the registration shall be rescinded. (Article 26 of the Act on Architects and Building Engineers)
Condominium Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (5) No. 030488	May 21, 2027	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 83 of the Act on Advancement of Proper Condominium Management)
Building Environmental Health Comprehensive Management Company	Governor of Tokyo	Tokyo Governor's License (Comprehensive 19) No. 273	October 3, 2025	When the registration has been made through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the registration shall be rescinded. (Article 12-4 of the Act on Maintenance of Sanitation in Buildings)
Security Service License	Tokyo Public Safety Commissioner	Security Service Law Authorization No. 30002591	October 14, 2026	When the recognition has been obtained through wrongful means, or the provisions of causes for disqualification are applicable, the recognition shall be rescinded. (Article 8 of the Security Services Act)
Rental Housing Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (01) No. 000240	July 29, 2026	When the registration was obtained through wrongful means, or the entity falls under conditions for disqualification of rental housing management operators, the registration shall be cancelled (Article 23 of the Act on the Proper Management of Rental Housing)

Tosei Logistics Management Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor’s License (3) No. 88903	February 22, 2023	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Money Lending Business Registration	Governor of Tokyo	Tokyo Governor, (1) No. 31891	March 28, 2025	When the registration has been made through wrongful means, or the provisions of causes for disqualification are applicable, the registration shall be rescinded. (Article 24-6-5 of the Money Lending Business Act)

Kishino Corporation

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor’s License (2) No.99269	June 3, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Masuda Kenzai-ten Co., Ltd.

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

Isogo Asset Management Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor’s License (1) No.107826	May 20, 2027	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)

Tosei Hotel Management Co., Ltd

Tosei Hotel COCONE Kanda

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Chiyoda Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Ueno

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License	Director of Taito Public Health Center	Restaurant Business License	November 30, 2025	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)

Tosei Hotel & Seminar Makuhari

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Narashino Public Health Center	Hotel Operating License	—	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License (Restaurant)	Director of Narashino Public Health Center	Restaurant Business License	February 28, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)
Coffee Shop Business License (Coffee shop)	Director of Narashino Public Health Center	Coffee Shop Business License	February 28, 2026	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)

Tosei Hotel COCONE Asakusakuramae

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Uenookachimachi

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Asakusa

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Taito Public Health Center	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards

Tosei Hotel COCONE Kamakura

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Inns and Hotels Operating License	Director of Kamakura Health and Welfare Office	Hotel Operating License	―	Cancellation of approvals due to the violation of structure, facility, or health standards
Restaurant Business License	Director of Kamakura Health and Welfare Office	Restaurant Business License	September 27, 2028	When the business has sold foods or used utensils that are harmful to human health, or has sold foods, used additives or utensils, or practiced false advertising that do not satisfy the conditions necessary for public health, the business shall be prohibited. (Article 60,61 of the Food Sanitation Act)

Princess Square Co., Ltd.

Name of license or permit	Authority	Content of license or permit	Expiration	Rescission, cancellation or other reasons
Real Estate Business License	Governor of Tokyo	Tokyo Governor's License (8) No. 59205	July 20, 2026	When the license has been obtained through wrongful means, or the provisions of causes for disqualification of officers, etc. become applicable, the license shall be rescinded. (Article 66 of the Building Lots and Buildings Transaction Business Act)
Rental Housing Management Business	Minister of Land, Infrastructure, Transport and Tourism	Minister of Land, Infrastructure, Transport and Tourism (01) No. 000376	July 30, 2026	When the registration was obtained through wrongful means, or the entity falls under conditions for disqualification of rental housing management operators, the registration shall be cancelled (Article 23 of the Act on the Proper Management of Rental Housing)

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

Changes regarding accounting standards and the real estate tax system could cause increases in the cost of holding, acquiring and selling assets, and therefore have the potential to affect the operating results and financial position of the Tosei Group.

Regarding changes in accounting standards and changes in the real estate taxation system, the Tosei Group strives to identify the effect of these changes on the Group's performance and financial position at an early stage, by collecting timely information on changes in real estate taxation.

(6) New businesses

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

(7) Regarding the COVID-19 Coronavirus Disease

Although the COVID-19 pandemic has calmed down to a certain extent in response to the infection prevention measures and the rollout of vaccinations by the government and other agencies, going forward, a resurgence of the pandemic and the resulting slowdown of economic activities may cause a decline in the business performance of the Hotel Business and other businesses of the Group and impact the Tosei Group's operating results.

Additionally, should any of our employees become infected, business activities may be disrupted due to the closing of offices.

As a measure against these risks, the Group will follow the policies of the government and other agencies as well as industry guidelines, and strive to thoroughly implement infection prevention measures by placing the highest priority on ensuring the safety of its customers and employees.

(8) ESG

Corporate initiatives toward the Environment, Society, and Governance (ESG) are expected to become more important than ever year after year. Any delays or deficiencies resulting from the failure of the Group to respond in an appropriate manner may jeopardize the confidence of the local community, customers, business partners, employees, investors, and the market, and impact the business strategies and operating results of the Group. In the environmental field, amid the increasing severity of global climate change, physical damage associated with climate change and stricter climate-related regulations, and the failure to implement appropriate mitigation and adaptation measures regarding the transition to a decarbonized/low-carbon society, may impact the Group' s financial position and operating results. Additionally, there is a growing demand for human capital management in the social sector, such as human resource development, including ensuring diversity of human resources, and improvement of the internal environment, and any delays or inadequacies in the development of systems, implementation plans, information disclosure, etc. related to these initiatives could impact employment in the Group and damage its reputation in the market.

As a measure against these risks, the Group has developed and strengthened its sustainability promotion system by establishing the Sustainability Committee, the Tosei Group ESG Policy and ESG Action Guidelines, the Tosei Group Human Rights Policy, and the Tosei Group Environmental Policy. At the same time, under the policy "Promote business, management and ESG with a focus on sustainability" which is one of the initiatives to strengthen the business base in its medium-term management plan, the Group is putting ESG management into practice, taking initiatives to reduce the burden on the global environment, and striving to mitigate the risks associated with sustainability issues.

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

The following is a summary of the Group's financial position, performance and cash flows (hereinafter, "business performance") and analysis and discussions of the Group's operating results from the viewpoint of management for the fiscal year ended November 30, 2022.

Forward-looking statements are based on Tosei Group judgments as of November 30, 2022.

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

1) Recognition of business environment and business performance

During the fiscal year ended November 30, 2022, the Japanese economy showed signs of recovery as social and economic activities went back to normal as society transitions to coexisting with COVID-19 in ways such as the lifting of border entry restrictions. Meanwhile, it is necessary to monitor the effects of the downturn of the overseas economies, which is caused by the global credit tightening and the supply shortage and soaring prices of natural resources due to the situation between Russia and Ukraine, as well as the impact of surging prices caused by the excessively depreciating yen.

In the real estate industry where Tosei Group operates, due to the effects of a decrease in the number of projects sold and a decrease in the number of J-REIT properties acquired, domestic real estate investments for the nine months from January to September 2022 amounted to ¥1.9 trillion, decreasing 38% year on year. However, because of the continuing superiority of domestic real estate backed by its excellent stability and liquidity, in addition to the depreciating yen and Japan's continuing monetary easing policies as compared to hikes in interest rates in other countries, the Japanese real estate investment market is becoming even more attractive, and overseas investors' appetite for investment remains high (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 October 2022 decreased 2.7% year on year to 20,946 units. While developers refrain from cutting prices due to rising prices of building materials, leading to a longer period of time to make sales, the number of units sold remains stable. In addition, in the Tokyo metropolitan area pre-owned condominium market, while the number of units contracted from January to October 2022 declined 11.1% year on year to 29,797 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 10 months from January to October 2022 came to 49,452 units (up 6.0% year on year) (according to a survey by a private research institute).

Regarding construction costs for the ten months from January to October 2022, average costs per tsubo for wooden structure were ¥580 thousand (1 tsubo = 3.30 square meters) (an increase of 1.9% year on year), and average costs per tsubo for steel reinforced concrete structure were ¥1,436 thousand (an increase of 23.8% year on year). Although a shortage in supply of timber that once caused the "wood shock" has eased, the price of timber has not declined due to the recent depreciating yen, and construction costs for wooden structures remain at a high level. Moreover, with the soaring price of steel, construction costs of steel reinforced concrete structures are rising rapidly (according to a survey by the Ministry of Land, Infrastructure, Transport and Tourism).

In the office leasing market of Tokyo's five business wards, the average vacancy rate as of October 2022 was 6.44% (a decrease of 0.03 percentage points year on year), and the average asking rent was ¥20,114 per tsubo (a decrease of 3.3% year on year), demonstrating the slowdown of the downward trend. 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 generally robust and the average asking rent of apartments in the Tokyo metropolitan area as of October 2022 was ¥10,879 per tsubo (a decrease of 0.5% year on year) and the average occupancy rate at condominiums held by J-REIT in the Tokyo Area as of August 31, 2022 was 97.0% (an increase of 0.5 percentage points year on 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 there are signs of bottoming out (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock in October 2022 amounted to 8.21 million tsubo (an increase of 13.5% year on year). The vacancy rate was 4.0%. Although this was an increase of 2.3 percentage points from the same period of the previous year, rent continues to gradually increase. While the vacancy rate is expected to rise even higher temporarily due to increased supply resulting from new development, it is predicted to remain solid with the expanding demand in e-commerce in the medium- to long-term (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 October 2022 totaled ¥21.7 trillion (an increase of ¥0.4 trillion year on year) and assets under management in private placement funds totaled ¥26.5 trillion (as of June 30, 2022, an increase of ¥3.1 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥48.2 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the nine months from January to September 2022, the average guest room occupancy rate was 53.9% (38.1% 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 38.74 million (an increase of 59.1% year on year). In addition to the recovery of domestic demand, the number of guests from foreign countries has begun to increase due to the lifting of the border entry restrictions (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 fiscal year under review totaled ¥70,953million (up 14.9% year on year), operating profit was ¥13,514 million (up 23.2%), profit before tax was ¥12,753 million (up 23.8%), and profit attributable to owners of the parent was ¥8,607 million (up 28.1%).

Performance by business segment is shown below.

During the fiscal year under review, 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 fiscal year under review, the segment sold 38 properties it had renovated and 127 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 fiscal year under review, it also acquired a total of 33 income-generating office buildings, and apartments, four land lots and 125 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a valuation loss of ¥502 million and reversal of inventories valuation loss of ¥535 million.

As a result, revenue in this segment was ¥37,477 million (up 11.6% year on year) and the segment profit was ¥6,102 million (down 15.3%).

Development Business

During the fiscal year under review, the segment sold T’S BRIGHTIA Minami-Aoyama EAST (Minato-ku, Tokyo).The segment sold 93 units at THE Palms Toda Master Graces (Toda-shi, Saitama) in newly build condominium and sold 105 detached houses at such properties as THE Palms Court Setagaya Hachimanyama (Setagaya-ku, Tokyo) and THE Palms Court Mitaka Veil (Mitaka-shi, Tokyo).

During the fiscal year under review, it also acquired four land lots for rental apartment projects, three land lots for rental wooden apartment projects, two land lots for income-generating office buildings and land lots for 96 detached houses.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥544 million .

As a result, revenue in this segment was ¥13,792 million (up 15.3% year on year) and the segment profit was ¥2,958 million (up 178.9%).

Rental Business

During the fiscal year under review, while the segment sold 25 properties of its inventory assets held for leasing purposes, it newly acquired 26 properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its existing non-current assets and inventory assets.

As a result, revenue in this segment was ¥6,083 million (up 11.3% year on year) and the segment profit was ¥3,041 million (up 12.7%).

Fund and Consulting Business

During the fiscal year under review, while ¥184,413 million was subtracted due mainly to property dispositions by funds, ¥486,442 million was added due to new lage 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 November 30, 2022, was ¥1,722,896 million.

As a result, revenue in this segment was ¥5,444 million (up 10.3% year on year) and the segment profit was ¥3,218 million (up 2.6%).

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

Property Management Business

During the fiscal year under review, the segment worked to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 793 as of November 30, 2022, an increase of 35 from November 30, 2021 with that total comprising 478 office buildings, hotel, logistics facilities and other such properties, and 315 condominiums and apartments.

As a result, revenue in this segment was ¥6,228 million (up 19.3% year on year) and segment profit was ¥878 million (up 30.6%).

Hotel Business

While the impact of COVID-19 still persisted in the twelve months ended November 30, 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 ¥1,927 million (up 247.0% year on year) and segment loss was ¥315 million (in comparison with segment loss of ¥838 million in the same period of the previous fiscal year).

2) Analysis and Discussion of Operating Results

During the fiscal year under review, while there are concerns over the slowdown of the global economy on the back of rapidly ongoing global inflation and credit tightening in Europe and the U.S., with its excellent scale and stability, the Japanese real estate investment market remains solid partly due to the continuing low interest-rate environment and the current weakening of the yen, and investment demand has continued for real estate by investors both in Japan and abroad. Moreover, with domestic economic activities being on a recovery trend resulting from the balance between restrictions against COVID-19 and economic activities, the housing market targeting individuals remains stable.

Amid this operating environment, the Company continued to closely monitor the trends in the real estate market and promoted its businesses, and consolidated revenue for the fiscal year under review totaled ¥70.9 billion (down 11.3% from the initial plan), operating profit was ¥13.5 billion (up 5.9% from the initial plan), and profit before tax was ¥12.7 billion (up 6.3% from the initial plan). Although the sale of certain properties scheduled for sale has been postponed to the next fiscal year, which resulted in revenue being lower than the initial plan, operating profit exceeded the initial plan due to improvements in profit margin in both the Revitalization Business and the Development Business, and reached a record high in both profit before tax and profit for the year.

The mainstay Revitalization Business performed well, as sales of income-generating properties such as office buildings, logistics facilities, income-generating apartments, etc. remained robust, while sales of condominium units, which the Company started to fully engage in from FY2021, also remained solid. In the Development Business, while sales of condominiums and detached houses fell below the planned number of units due to the strategy of prioritizing profits instead of the speed of sales made, the segment profit has exceeded the plan as the commercial facilities sold in the first half of the year has contributed to profits.

In the Stock and Fee Business, the Company’s stable source of income, the business results were mostly according to the plan. Although segment profit of the Rental Business fell below the plan resulting from delays in purchasing activities of income-generating properties and leasing activities, in the Fund and Consulting Business and the Property Management Business, the number of contracts has grown steadily according to the plan. The Hotel Business, which is still on the road to recovery, recorded a GOP (gross operating profit) higher than planned due to return in customer traffic. The Fund and Consulting Business, which has continued to grow in recent years, largely increased its end of period balance of assets under management to over ¥1.7 trillion, and in December 2022, a new contract for the large project “Otemachi PLACE” was signed. The Company will promote organization enhancement and efficiency improvement to further grow its business.

(2) Status of production, orders received and sales

1) Actual production

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

2) Actual orders received

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

3) Actual sales

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

Segment	Fiscal year ended November 30, 2022	Comparison with the previous fiscal year (%)
	Amount (¥ thousand)	
Revitalization Business	37,477,067	11.6
Development Business	13,792,758	15.3
Rental Business	6,083,791	11.3
Fund and Consulting Business	5,444,022	10.3
Property Management Business	6,228,354	19.3
Hotel Business	1,927,490	247.0
Total	70,953,486	14.9

Notes: 1. Transactions between segments were eliminated.
2. The amounts of sales to each major customer and the ratios of the said sales to total sales in the two most recent fiscal years are as follows.

Customer	Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
	Amount (¥ thousand)	Ratio (%)	Amount (¥ thousand)	Ratio (%)
Tosei Reit Investment Corporation	3,923,983	6.4	6,914,887	9.7

(3) financial position

The consolidated financial position as of November 30, 2022 was as follows. Total assets increased 8.2% compared with the end of the previous fiscal year to ¥210,955 million, liabilities rose 7.4% to ¥138,665 million, and equity rose 9.6% to ¥72,290 million. The ratio of equity attributable to owners of parent to total assets was 34.3%, compared with 33.8% at the end of the previous fiscal year.

Current assets

As of November 30, 2022, the balance of current assets was ¥137,131 million, an increase of ¥14,173 million compared with the end of the previous fiscal year. This is mainly due to increase in inventories (up ¥10,092 million year on year) because purchases of properties in the Revitalization and Development Businesses, which are the core operations of the Company, exceeded the number of properties the Company recently sold etc.

Non-current assets

As of November 30, 2022, the balance of non-current assets was ¥73,824 million, up ¥1,771 million compared with the end of the previous fiscal year. This is mainly due to increase in other financial assets (up ¥2,708 million year on year) etc.

Current liabilities

As of November 30, 2022, the balance of current liabilities was ¥22,436 million, up ¥2,613 million compared with the end of the previous fiscal year. This is mainly due to increase in interest-bearing liabilities (up ¥2,306 million year on year) etc.

Non-current liabilities

As of November 30, 2022, the balance of non-current liabilities was ¥116,228 million, up ¥6,999 million compared with the end of the previous fiscal year. This is mainly due to increase in interest-bearing liabilities (up ¥7,586 million year on year) etc.

Equity

As of November 30, 2022, equity was ¥72,290 million, an increase of ¥6,331 million compared with the end of the previous fiscal year. This is mainly due to increase in retained earnings, payment of cash dividends, purchase of treasury shares and disposal of treasury shares.

(4) Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of November 30, 2022 totaled ¥31,767 million, an decrease of ¥1,793 million compared with November 30, 2021.

Cash Flows from Operating Activities

Net cash used by operating activities totaled ¥197 million (¥974 million provided in the same period of the previous fiscal year). This is mainly attributed to the profit before tax of ¥12,753 million, an increase trade and other receivables of ¥5,542 million, an increase in inventories of ¥6,365 million and income taxes paid of ¥5,099 million etc.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥9,081 million (down 41.2% year on year). This is mainly due to purchase of investment properties of ¥3,172 million, other financial assets of ¥2,921 million, payments for acquisition of subsidiaries of ¥2,764 million etc.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥7,477 million (down 32.0% year on year). This mainly reflects ¥37,857 million in the proceeds from non-current borrowings , ¥29,180 million in repayments of non-current borrowings and ¥1,814 million in cash dividends paid.

Trends of cash-flow indicators

	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022
Ratio of equity attributable to owners of parent to total assets (%)	36.5	33.8	34.3
Market value ratio of equity attributable to owners of parent to total assets (%)	33.9	23.6	31.4
Interest-bearing debt to cash flow ratio (years)	7.3	118.0	—
Interest coverage ratio (times)	12.9	0.8	—

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

Notes: 1. All indicators are calculated using consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares, excluding treasury shares.
3. The figures for cash flows employ net cash from operating activities.
4. Interest-bearing debt includes all debt recorded in the consolidated statement of financial position on which interest is paid.
5. Interest-bearing debt to cash flows ratio and interest coverage ratio are not presented for the year ended November 30, 2022 because cash flows from operating activities on the consolidated statements of cash flows was negative.

(5) Significant accounting policies and estimates

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

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

The results for the current fiscal year against the planned figures for the previous medium-term management plan "Infinite Potential 2023" (December 2020 to November 2023), which ends in the fiscal year ending November 2022, was as follows.
For the analysis of business results for the fiscal year ended November 30, 2022, please refer to "(1) Analysis and discussions of the Group’s operating results from the viewpoint of management"

<Quantitative Plan of the Medium-term Management Plan “Infinite Potential 2023” (Consolidated)>
*Underlined sections indicate revisions.

	Initial year Year ended Nov.30, 2021	2nd year Year ended Nov.30, 2022	3rd year (final year) Year ending Nov.30, 2023 (Announced on January 12, 2022)	Revised 3rd year (final year) Year ending Nov.30, 2023 (Announced on January 12, 2023)
Consolidated revenue	¥69.5 billion	¥80 billion	¥100 billion	<u>¥85 billion</u>
Consolidated profit before tax	¥8 billion	¥12 billion	¥14 billion	¥14 billion
ROE in the final fiscal year	—	—	12% or more	12% or more
Stable businesses ratio (operating profit-basis)	47.5%	43.5%	Around 50%	<u>42% or more</u>
Equity ratio	35.7%	33.3%	Around 35%	Around 35%
Net debt-to-equity ratio	1.01 times	1.35 times	About 1.3 times	About 1.3 times
Dividend payout ratio	26.2%	28.2%	Around 30%	<u>30.2%</u>

< Results for the current fiscal year>

	Year ended November 2021	Year ended November 2022
Consolidated revenue	¥61.7 billion	¥70.9 billion
Consolidated profit before tax	¥10.3 billion	¥12.7 billion
ROE	10.8%	12.5%
Stable businesses ratio (operating profit-basis)	40.7%	43.0%
Equity ratio	33.8%	34.3%
Net debt-to-equity ratio	1.23 times	1.29 times
Dividend payout ratio	26.7%	28.1%

(7) Source of equity and liquidity of funds

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

4. Important operational contracts, etc.

None

5. Research and development activities

None

III. Facilities

1. Outline of capital expenditures

In the fiscal year ended November 30, 2022, we made capital expenditures totaling ¥3,341 million. A major portion of this amount was due to acquisition of investment properties of the Rental Business.

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

2. Main facilities

(1) Filing company

(As of November 30, 2022)

Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
			Buildings and structures	Land (Size m^2)	Other	Total	
Head office (Minato-ku, Tokyo)	Supervising administration facilities	Office facilities	4,729,619	3,501,408 (2,472.73)	150,288	8,381,316	217
Machida section (Machida-shi, Tokyo)	Development Business	Office facilities	58,212	190,198 (993.03)	—	248,410	27
Leasing properties (20 properties in Chiyoda-ku, Tokyo, etc.)	Rental Business	Rental buildings, stores, etc.	7,049,060	30,263,077 (31,139.73)	535,399	37,847,538	—
Leasing properties (7 properties in Chiyoda-ku, Tokyo, etc.)	Hotel Business	Hotel facilities	6,565,544	6,591,689 (10,563.90)	335,271	13,492,506	—
Total	–	–	18,402,437	40,546,373 (45,169.39)	1,020,960	59,969,771	244

(2) Domestic subsidiaries

(As of November 30, 2022)

Company name	Office name (Location)	Segment	Description	Book value (¥ thousand)				Number of employees (Person)
				Buildings and structures	Land (Size m^2)	Other	Total	
Kishino Corporation	Leasing properties (1 property in Toshima-ku, Tokyo, etc.)	Rental Business	Rental building	14,438	2,002,282 (160.76)	—	2,016,720	—

3. Plans for new installation and retirement of facilities

None

IV. Filing company

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

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

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

2) Number of shares issued

Class	Number of shares issued (Share; as of Nov. 30, 2022)	Number of shares issued (Share; as of the date of filing: Feb. 27, 2023)	Name of financial instruments exchange where shares of Tosei are traded or name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (Prime Market) and Main Board of Singapore Exchange	Share unit number: 100 shares
Total	48,683,800	48,683,800	–	–

(2) Status of stock acquisition rights

1) The detail of the stock option system

Date of resolution	April 25, 2019
Title and number of grantees	The Company's directors: seven persons (including two outside directors) The Company's executive officers: five persons The Company's employees: 264 persons Directors of the Company's subsidiaries: four persons
Number of stock acquisition rights (Note1)	4,303 [4,019] (Note 2)
Number of shares delivered upon exercise of stock acquisition rights (shares) (Note1)	Ordinary shares 430,300 [401,900] (Note 2)
Amount to be paid in upon exercise of stock acquisition rights (¥) (Note1)	1,006 (Note 3)
Period during which stock acquisition rights may be exercised (Note1)	From May 1, 2021 to April 25, 2024
Issue price and amount capitalized of shares when issued through the exercise of stock acquisition rights (¥) (Note1)	Issue price: 1,006 Amount capitalized: 503
Terms and conditions for exercising stock acquisition rights	(Note 4)
Transfer of stock acquisition rights (Note1)	Acquiring stock acquisition rights through transfer shall require approval by resolution of the Company's Board of Directors.
Delivery of stock acquisition rights in line with acts of structural reorganization (Note1)	(Note 5)

Notes: 1. The information is as of the end of fiscal year (November 30, 2022). Regarding items for which a change has occurred during the period from the end of the fiscal year under review until the end of the last month before the filing date (January 31, 2023), information as of the end of the last month before the filing date is shown in square brackets. With regard to other items, there is no change from the information as of the end of the fiscal year under review.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Terms and conditions for respective segment of persons

i. Directors of the Company

Holders of stock acquisition rights are required to have the rank of Director of the Company at the time of exercising the stock acquisition rights; provided, however, that this shall not apply to holders of stock acquisition rights who no longer have the rank of Director due to retirement at the expiration of the period in office or due to resignation at the request of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) Terms and conditions for exercising stock acquisition rights

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

(9) Terms of acquisition of stock acquisition rights

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

(i) Proposal for approval of a merger agreement under which the Company becomes an absorbed company
(ii) Proposal for approval of a company split agreement or plan under which the Company becomes a split company
(iii) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned company
(iv) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of all kinds of shares of the Company
(v) Proposal for approval to change the relevant provisions of the Articles of Incorporation of the Company which stipulate that approval by the Company is required for share transfer of the shares underling stock acquisition rights, or that the Company may obtain all of the said shares by the resolution of the General Meeting of Shareholders.

2) Details of rights plan

None

3) Details of other stock acquisition rights, etc.

None

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

None

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

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

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

(5) Shareholder composition

(As of November 30, 2022)

Category	Shareholder composition (Share unit number: 100 shares)								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Other than Individuals	Individuals			
Number of shareholders (Person)	－	13	22	171	196	36	19,205	19,643	－
Number of shares held (Unit)	－	65,352	15,783	61,222	135,337	121	208,900	486,715	12,300
Holding rate of shares (%)	－	13.43	3.24	12.58	27.81	0.02	42.92	100.00	－

Notes: 1. 1,424,122 shares of treasury shares are included 14,241 units in "individuals, etc.", 22 shares in "Shares less than one unit".

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

(6) Status of major shareholders

(As of November 30, 2022)

Name of shareholder	Address	Number of shares held (Share)	Ownership percentage to the number of issued shares (excluding treasury shares) (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500	27.26
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	4,296,900	9.09
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)	1,813,502	3.83
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,350,000	2.85
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,184,000	2.50
Hirotoshi Deguchi	Minato-ku, Tokyo, Japan	1,030,000	2.17
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)	965,350	2.04
STATE STREET BANK AND TRUST COMPANY 505303 （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）	554,300	1.17
AOZORA Bank Co., Ltd	6-1-1, Kojimachi Chiyoda-ku Tokyo, Japan	502,900	1.06
Total	–	30,582,452	64.71

Notes: 1. Ownership percentage to the number of issued shares (excluding treasury shares) is rounded down to the second decimal place.

2. The number of shares of treasury shares (1,424,122 of shares) is not included in the chart above.

3. The change report for the large shareholding report, which was made accessible to the public as of August 24, 2022, states that Grantham, Mayo, Van Ottterloo & Co. LLC held the following shares as of August 17, 2022. However, since the Company could not confirm the actual number of shares held by this company as of the end of the fiscal year under review, the company was not included in the status of major shareholders described above.

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

Large volume holder	Grantham, Mayo, Van Ottterloo & Co. LLC
Address	40 Rowes Wharf, Boston, Massachusetts 02110, U.S.A.
Number of share certificates, etc. held (shares)	2,090,200
Holding ratio of share certificates, etc. (%)	4.29

(7) Status of voting rights

1) Shares issued

(As of November 30, 2022)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 1,424,100	–	–
Shares with full voting rights (Other)	Ordinary shares 47,247,400	472,474	–
Shares less than one unit	Ordinary shares 12,300	–	–
Total number of shares issued	48,683,800	–	–
Total number of voting rights	–	472,474	–

Notes 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 November 30, 2022)

Name of shareholders	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in total number of shares issued (%)
(Treasury shares held) TOSEI CORPORATION	4-5-4, Shibaura, Minato-ku, Tokyo, Japan	1,424,100	—	1,424,100	2.92
Total	–	1,424,100	—	1,424,100	2.92

2. Acquisition of treasury shares

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

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

None

(2) Acquisition by resolution of the Board of Directors

Category	Number of shares (share)	Value (¥ thousand)
Status of resolution at the Board of Directors (January 12, 2022) (Acquisition period: January 13, 2022 to July 31, 2022)	700,000	500,000
Treasury shares acquired prior to the fiscal year ended November 30, 2022	—	—
Treasury shares acquired during the fiscal year ended November 30, 2022	475,700	499,895
Total number and value of remaining shares with voting rights	224,300	104
Unexercised portion as of the end of the fiscal year ended November 30, 2022 (%)	32.04	0.02
Treasury shares acquired during the period under review	—	—
Unexercised portion as of the date of filing (%)	32.04	0.02

Category	Number of shares (share)	Value (¥ thousand)
Status of resolution at the Board of Directors (July 5, 2022) (Acquisition period: July 6, 2022 to December 31, 2022)	600,000	500,000
Treasury shares acquired prior to the fiscal year ended November 30, 2022	–	–
Treasury shares acquired during the fiscal year ended November 30, 2022	298,600	386,076
Total number and value of remaining shares with voting rights	301,400	113,923
Unexercised portion as of the end of the fiscal year ended November 30, 2022 (%)	50.23	22.78
Treasury shares acquired during the period under review	84,300	113,831
Unexercised portion as of the date of filing (%)	36.18	0.02

Note: Number of shares acquired through purchasing shares between February 1, 2023 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

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

None.

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

Category	Fiscal year ended November 30, 2022		Period under review	
	Number of shares (share)	Total processing value (¥ thousand)	Number of shares (share)	Total processing value (¥ thousand)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	—	—	—	—
Acquired treasury shares that were transferred in association with a merger, share exchange, Delivery of shares or company split	—	—	—	—
Other (Exercise of stock options)	250,200	251,701	28,400	28,570
Treasury shares held	1,424,122	—	1,480,022	—

Note: Number of shares acquired through purchasing shares between February 1, 2023 and the submission date of this Annual Securities Report are not included under treasury shares held during the period under review.

3. Dividend policy

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

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

Based on the above policy, Tosei decided to pay an annual dividend of ¥51 per share for the fiscal year under review. As a result, the Company's consolidated dividend payout ratio came to 28.1% for the fiscal year ended November 30, 2022.

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

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

The dividend for the fiscal year ended November 30, 2022 is as follows:

Resolution date	Total amount of dividends (¥ thousand)	Dividends per share (¥)
Ordinary General Meeting of Shareholders held on Feb. 24, 2023	2,410,243	51

4. Status of corporate governance, etc.

(1) Status of corporate governance

1) Fundamental Approach toward Corporate Governance

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

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

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

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

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

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

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

Constituent members of each body is as follows (◎: Chair-person ○:member △:Observer).

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

3) Other matters related to corporate governance

(a) Basic explanation of internal company bodies

i) Operation of Board of Directors

The Board of Directors is composed of nine directors, three of whom are outside directors. Based on the regulations of the Board of Directors, regular meetings of the Board of Directors are held every month and extraordinary meetings are held as necessary. As the highest management decision-making body, the Board of Directors makes resolutions on management policy and important matters, and also supervises the execution of duties by directors. In addition, outside directors (independent directors) offer advice and suggestions to help secure adequate and appropriate decision making by the Board of Directors by stating opinions from an objective standpoint and taking other measures.

ii) Nomination and Compensation Advisory Committee

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

iii) Auditing by Audit & Supervisory Board Members

The Company has adopted the Audit & Supervisory Board Member system and has an Audit & Supervisory Board with two full-time and two part-time Audit & Supervisory Board Members. All of these four persons fall under the definition of outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.

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

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

These activities by Audit & Supervisory Board Members effectively operate as an auditing function over the Company's business management and have delivered positive effects to the Company.

iv) Executive officer system

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

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

v) Corporate governance meeting

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

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

vi) Internal auditing

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

vii) Information disclosure

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

viii) Auditing by accounting auditor

The Company's accounting auditor is Shinsoh Audit Corporation, with which the Company has concluded an auditing agreement in accordance with the Companies Act and the Financial Instruments and Exchange Act. On this basis, Shinsoh Audit Corporation performs audits in accordance with a yearly audit plan. In addition to the full-year audit performed at the end of the fiscal year, reviews are conducted at each quarter-end.

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

Regarding systems to ensure that directors' execution of their duties is in compliance with laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of a company's operations (internal control system).

i) Basic policies for compliance with laws and regulations

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

ii) Basic policies for storing and managing information

- Ensure awareness among all officers and employees regarding the importance of storing and managing information.
- Enhance the measures for preventing the leakage of material information.
- Ensure thorough familiarity with material information and information requiring timely disclosure and prevention of misstatements or material omissions.

iii) Basic policies for management of risk of loss

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

iv) Basic policies for efficient execution of duties by Directors

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

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

- Strive for a full penetration of the understanding of the Company's corporate philosophy and awareness for the compliance among the officers and the employees of each of the Group companies and ensure that each of the Group companies complies with laws and regulations.
- Strive for full awareness, analysis and evaluation of risks that impede the sustenance and continuation of the businesses of each of the Group companies, prepare for contingencies, and establish a system to compel prompt reporting if contingencies occur.
- Formulate a medium-term management plan, business plans for single fiscal year and budgets for the same relating to the entire Group, periodically check the progress of these plans, and compel timely reporting on newly occurring problems and appropriately handle such problems.
- For matters that are important and those for which timely disclosure is required at each of the Group companies, and other matters relating to execution of duties by officers and employees at each of the Group companies, establish a system to compel prompt reporting from each of the Group companies to the Company.
- Enhance the system for ensuring the appropriateness of financial reporting relating to the entire Group.
- Eliminate wrongful acts and/or irregular transactions using the Group.

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

- Designate members of staff to assist Audit & Supervisory Board Members in their duties, and have them carry out assistance duties under the command of the Audit & Supervisory Board Members.
- Ensure the independence of the aforementioned members of staff from Directors and obtain prior consent from the Audit & Supervisory Board for personnel affairs matters for the said members of staff such as transfers and performance evaluations.
- In addition to deliberations on proposals and reports on important matters at the Board of Directors, have Audit & Supervisory Board Members attend important meetings for business execution, and carry out periodic interviews with Directors and important employees. Furthermore, ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified any material loss and signs of the same or any breach of regulations or misconduct, and prompt reporting to the same in response to demands from Audit & Supervisory Board Members.
- Establish a system to compel prompt reporting to Audit & Supervisory Board Members from all officers and employees at each of the Group companies who have identified any material loss caused by management at each of the Group companies and signs of the same or any breach of laws and regulations or misconduct, or from officers and employees of the Company who have received reports from such persons, and strive for its full implementation, and also compel prompt reporting if reporting is demanded by Audit & Supervisory Board Members.
- Ensure full notification of policy not to mete out disadvantageous treatment for the reason of a report described in the preceding two paragraphs made by officers and employees of the Company and each of the Group companies to Audit & Supervisory Board Members.
- Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs.
- When Audit & Supervisory Board Members request advance payments, etc. of expenses, promptly handle the said expenses or debt obligations, except in cases where they are deemed unnecessary for the execution

of duties.

- Directors are to make efforts to understand and support audits by Audit & Supervisory Board Members and proactively work to improve issues raised by Audit & Supervisory Board Members.
- In order to accomplish adequate audits of the entire Group performed by Audit & Supervisory Board Members, Directors are to cooperate with Audit & Supervisory Board Members as necessary.

Under the basic policies above, in a continuous effort to develop the internal control system, the Company establishes plans for implementation and operation of the internal control system annually taking into consideration of revisions of relevant laws and regulations, changes in the business environment of the Group, expansion of the businesses, etc.

The internal control system of the Group implemented and operated as of November 30, 2022 is as follows.

*Major meetings cited in the text

Meeting name	Frequency of meeting	Attendees
Board of Directors' meeting	Monthly + Extraordinary	Directors and Audit & Supervisory Board Members
Pre-Board meeting discussion	Monthly + Extraordinary	Full-time Directors, full-time Audit & Supervisory Board Members, and Executive Officer in charge of administrative department
Corporate Governance meeting	Monthly	Full-time Directors and full-time Audit & Supervisory Board Members
Management meeting	Twice a month + Extraordinary	Executive Officers, and Audit & Supervisory Board Members
Risk Management and Compliance Committee's meeting	Monthly	Executive Officers (excluding President and CEO), heads of each department, officers responsible for risk management and compliance at each Group company, and full-time Audit & Supervisory Board Members
Information Disclosure Committee's meeting	Monthly + Extraordinary	Officers responsible for information disclosure, Senior Executive Officers, and Executive Officers designated by chairman of the Committee

i) Compliance with laws and regulations, etc.

・Ensure awareness regarding compliance with laws and regulations

At the beginning of each fiscal year the Risk Management and Compliance Program is drawn up, and trainings in the relevant laws and regulations, measures to cultivate awareness of legal issues have been implemented, in addition to which a compliance and corporate philosophy questionnaire is circulated every fiscal year to all officers and employees of the Group in order to identify issues and consider responses to such issues, and reflect them to each measure for the next fiscal year's Program.
During the fiscal year under review, we had legal advisors offer a training course regarding relevant laws and regulations amended during the fiscal year under review, including the Whistleblower Protection Act and the Act on the Protection of Personal Information. We also distributed video lectures by a full-time Directors on the Group's philosophy to focus on promoting legitimate and appropriate business activity.
In addition, the Risk Management and Compliance Committee's meeting (attended by all heads of each department) and a business law liaison meeting (attended by all heads of the operational divisions) are held every month, during which participants are duly made familiar with amendments to laws and regulations, etc. and notices from ministries with jurisdiction etc., while the results of deliberations by the Committee are reported to the monthly meetings of the Board of Directors.

・Strengthen the checking function for breaches of laws and regulations

As well as the monitoring and supervising system by three Outside Directors and four Audit &

Supervisory Board Members (all Outside Audit & Supervisory Board Members) at the Board of Directors' meeting, periodic meetings are held to exchange opinions between Audit & Supervisory Board Members and Outside Directors, and between Audit & Supervisory Board Members and legal advisors, so as to check for any signs of breaches of laws and regulations by the Directors responsible for executing business.
Moreover, full-time Audit & Supervisory Board Members conduct business audits on the Company's businesses and investigation of subsidiaries, while the Internal Audit Department conducts internal audits on the Company and the Group companies and self-inspections at the departmental level are implemented. Meanwhile, the Company continues to operate the whistle-blowing system providing three points of contact, internal, external and through Audit & Supervisory Board Members, and to conduct training sessions to promote an understanding of the system including protection of whistle-blowers.
During the fiscal year under review, we also revised relevant internal regulations, etc., to appropriately comply with the amended Whistleblower Protection Act (enforced in June 2022), and further ensured that officers and employees are well aware of the importance of protecting whistle-blowers.

・Promptly react to any breach of laws and regulations, and make information disclosure

At important meetings and committees attended by full-time Directors, including those of the Board of Directors, checks are made for signs, or actual occurrences, of breaches of laws and regulations, instructions are given regarding responses, and status reports are made. Also, the Company has established a system to establish a crisis management office headed by the President and CEO and disclose information in a timely and appropriate manner based on the Crisis PR Manual in the event that serious breaches and/or incidents occur.

・Eliminate any association with anti-social forces

The Company continues screening of counterparties prior to the inception of transactions and carries out trainings on action against anti-social forces for all officers and employees of the Group in order to completely eliminate any association with anti-social forces.

ii) Storing and managing information

・Ensure awareness regarding the importance of storing and managing information

Every fiscal year we implement training for the information asset management, including personal information (this includes training for the prevention of insider trading) for all employees of the Company, and by doing so, we have continued to educate and inculcate rules for the handling of important information. In addition, through the trainings, we make employees well aware of measures to be taken by the Company, etc. in the event of infringement of the rules, and make efforts to enhance awareness of information management.
During the fiscal year under review, the Group appropriately complied with the amended Act on the Protection of Personal Information and implemented training for employees, etc. to help improve IT literacy with the aim of strengthening information management system (total 22 courses, 30 hours of training). In addition, we conducted mock drills related to targeted e-mail attacks and vulnerability assessments of our internal network by an external third party to reduce the risk of information leaks and information isolation triggered by fast-growing network crimes.

・Enhance the initiatives for preventing the leakage of important information

With regard to the state of compliance with rules for the handling of information assets (printed and electronic information), in addition to self-inspections implemented at all departments and audits conducted by the Internal Audit Department, we have strengthened the penalties for breaches and continued targeted guidance for those who infringe the rules.
During the fiscal year under review, we reviewed contracts with external subcontractors related to maintenance and other operations of the IT environment at each of the Group companies to enhance information management systems including that of the Company. We also introduced an electronic contract (signature) system for some contracts to prevent the leakage of documents and other materials, including material information, outside the Group.

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

The Information Disclosure Committee meets on a monthly and a temporary basis to understand which information is subject to timely disclosure, and to confirm information disclosure methods, etc. In addition, any changes in the rules regarding timely disclosure in connection with amendments of listing rules, etc. are reviewed on a monthly basis by the Committee and reported to the monthly meetings of the Board of Directors.

iii) Management of risk of loss

・Ensure understanding, analysis and assessment of risks

In accordance with the Risk Management and Compliance Program formulated at the beginning of each fiscal year, we implement a survey to identify about 30 significant risks that have material impacts on the Group's business (once a year), and stress tests (twice a year), taking account of real estate market conditions, transaction conditions, and the financing status of financial institutions. The results are reported at the Board of Directors' meetings.
We have also instructed each Group company to formulate plans for managing risks and promoting compliance in light of each company's business operations, focusing on ensuring that the parent company organization appropriately supports these plans.

・Enhance monitoring of risk management

At monthly Risk Management and Compliance Committee's meeting, the states of our responses to emerging risks are checked, information gathering efforts on latent risks are continued, and the details are reported at the Board of Directors' meeting held each month, in addition to which the outcomes of the responses are monitored by the Internal Audit Department.

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

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

・Promptly react to any occurrence of contingencies and disclose information

In case of occurrence of a contingency, a natural disaster, etc., a crisis management office directed by the President and CEO as the head will be established to collect information, confirm facts and circumstance, develop and implement countermeasures, and properly disclose information in a timely manner.
During the fiscal year under review, in response to the spread of COVID-19 from the end of 2021 (the sixth wave), we implemented an occupational vaccination program (second dose) to prevent our business from being severely affected. Furthermore, we periodically review the Crisis PR Manual, and develop simulation of possible crisis in response to conditions at the time and consider countermeasures on an ongoing basis.

iv) Efficient execution of duties by Directors

・Carry out deliberation and decision-making on the important management matters, in an efficient, timely and appropriate manner

In order to further enrich and to make more efficient the deliberations of the Board of Directors (held on a regular and a temporary basis), we have implemented management meetings held on a monthly basis and pre-Board meeting discussions to confer beforehand on matters to be resolved by the Board of Directors.

・Eliminate excessive pursuit of efficiencies in the management plans, etc. and pursue the balance with the soundness

Annual business plans and budgets are prepared toward the achievement of the three-year medium-term management plan.
When drawing up the business plans and budgets for each fiscal year, we analyze the economic environment in Japan and overseas and the operating environment in the real estate market, conduct separate discussions with each department and Group company without setting goals that are over-ambitious, and make our final decisions as consolidated budgets at the Board of Directors' meeting.

・Establish a system to allow appropriate and efficient execution of business

We have been implementing organizational changes and other modifications in order to execute business appropriately and efficiently. This is in response to changes in the content of the businesses, the increase in the number of employees associated with the expansion of business including new businesses, and the increase in the number of Group companies, etc.

v) Properness of operations of entire Group

・Ensure compliance with laws and regulations by officers and employees of each Group company

Through various trainings, etc. conducted by the Company and each Group company, we are striving for a full penetration of the understanding of the Group's philosophy and improvement of compliance awareness. In addition, we share information on compliance through implementation of the Risk Management and Compliance Program, established by the Company and each Group company, and attendance of responsible personnel of each Group company to meetings of the Company's Risk Management and Compliance Committee. Furthermore, the Company's in-house booklets about compliance with laws and regulations, called the Compliance Mind, are distributed to the Group companies to keep them informed of the importance of compliance. Also, we conduct the compliance and corporate philosophy questionnaire every fiscal year for all officers and employees in the Group, identify issues of each Group company, and consider responses to such issues.

・Ensure thorough understanding, analysis and assessment of operational risks related to each Group company, and responses to contingencies

Regarding the management of each Group company and significant risks (about 30 items) related to their business, risk evaluations are conducted each fiscal year. At the same time, the Company's full-time Directors, Executive Officers in the Administrative Division, etc. are concurrently appointed as Director or Audit & Supervisory Board Member for each Group company with the remit of monitoring and supervising each Group company's responses to risks. Every month, each Group company reports management conditions and their responses to risks at the meeting of the Board of Directors or pre-Board meeting discussions of the Company, and the Risk Management and Compliance Committee's meeting. Moreover, the response of these Group companies and the results thereof are continuously audited or monitored by the Company's Internal Audit Department, which may also conduct checks using external agencies as necessary, and then we have the Internal Audit Department report the results at the Board of Directors' meeting.
During the fiscal year under review, we continued to implement the same measures to prevent the spread of COVID-19 across the Group and also focused on sharing the Group's basic policies for risk management and compliance with employees of companies that newly joined the Group.

・Formulate a medium-term management plan, annual business plans and budgets relating to the entire Group, manage the progress of these plans, and respond to new issues appropriately

Annual business plans and budgets are prepared for each Group company, aimed toward the achievement of the Group's three-year medium-term management plan.
When drawing up these plans and budgets, we analyze the economic environment in Japan and overseas as well as the environment for the business of each Group company, then make final decisions as consolidated budgets at the Board of Directors' meeting of the Company based on separate discussions with each Group company so as to avoid setting goals that are over-ambitious.
The progress of the annual business plans and budgets is reported by representative directors of each Group company at the Board of Directors' meeting or the pre-Board meeting discussions of the Company on a monthly basis, and also, responses to new issues are deliberated and areas to be focused during the next half-year period are specified at the growth strategy meeting held with each Group company on a half-yearly basis.

・Establish a system for prompt reporting of significant matters of each Group company to the Company

With regard to important matters in the management and latent risks of each Group company, reports are made each month at meetings of the pre-Board meeting discussion and the Risk Management and Compliance Committee of the Company. Any contingencies, if occurred, are immediately reported to the chairman of the Risk Management and Compliance Committee of the Company, and a contingency management meeting composed of members including officers of the Company and each Group company is established to deliberate and implement countermeasures as a Group and to disclose information in a timely and appropriate manner.

・Enhance the system for ensuring the appropriateness of the financial reporting relating to the entire Group

In order to ensure the appropriateness of the financial reporting and the expeditious consolidated financial closing, the Corporate Management Department of the Company holds a meeting with the accounting department of each Group company for every quarterly closing to share information and provide instructions.
Furthermore, annual plans for internal control (J-SOX) are prepared to ensure the appropriateness of

the financial reporting, and the Internal Audit Department of the Company conducts assessments and the audit corporation conducts audits.
In addition, the Company strengthens the system to ensure the appropriateness of financial reporting for the entire Group by leveraging a shared service in which the Company undertakes the accounting operations of some of the Group companies.

・Eliminate wrongful acts and/or irregular transactions using the Group

Wrongful acts and/or irregular transactions are monitored by Directors and Audit & Supervisory Board Members of the Company through management reports of each Group company at the pre-Board meeting discussions each month, opinion-exchanging meetings(twice a year) attended by Outside Directors and the audit corporation, opinion-exchanging meetings (twice a year) attended by full-time Audit & Supervisory Board Members of the Company with representative directors of major Group companies, and the investigation of subsidiaries by full-time Audit & Supervisory Board Members (once a year). Also, internal rules have been established requiring any significant transactions by a Group company with the Company or other Group companies to be reported in advance to the Board of Directors of the Company.

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

・Designate members of staff to assist Audit & Supervisory Board Members in their duties

The Internal Audit Department has been assigned as the department in charge, and the personnel of the Internal Audit Department provide assistant duties under the command of Audit & Supervisory Board Members and carry out administrative duties for the Audit & Supervisory Board.

・Ensure the independence of the aforementioned members of staff from Directors

Evaluations, rewards and punishments, and transfers of personnel of the Internal Audit Department are carried out after the concurrence from the Audit & Supervisory Board is obtained in advance.

・Ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees who have identified occurrence or signs of any material losses, any breach of laws and regulations or misconduct, and prompt responses to the inquiry from Audit & Supervisory Board Members

Reports are made in a timely and appropriate manner at corporate governance meetings, comprising full-time Directors and full-time Audit & Supervisory Board Members (held monthly), as well as in the interviews held by full-time Audit & Supervisory Board Members with the President and CEO (once a month) and with other full-time Directors and the heads of each department (regularly).
In addition, opinion-exchanging meetings concerning threefold auditing are held regularly (once a half year), between the Company’s full-time Audit & Supervisory Board Members, the Internal Audit Department, and the audit corporation.
Regarding the whistle-blowing system, besides informing the employees of the Company that full-time Audit & Supervisory Board Members of the Company will act as regular contact points, reports made to the internal contact point (the chairman of the Risk Management and Compliance Committee) or to the external contact point (an external agency) will all be promptly reported to full-time Audit & Supervisory Board Members. Therefore, the system is designed so that reported facts are swiftly transmitted to full-time Audit & Supervisory Board Members.

・Ensure prompt reporting to Audit & Supervisory Board Members from all officers and employees of each Group companies who have identified occurrence and signs of any material losses attributable to the management of each Group company, any breach of laws and regulations or misconduct, and prompt responses to the inquiry from Audit & Supervisory Board Members

At the pre-Board meeting discussions of the Company, where each Group company makes the monthly management reporting, and at interviews by full-time Audit & Supervisory Board Members of the Company with representative directors of each Group company held on a regular basis, each Group company is required to report occurrence and signs of any material losses and significant risks associated with management of the Group company. In addition, all officers and employees of the Group are continuously informed at morning briefings and training sessions that those who identify any breach of laws and regulations or misconduct have a duty to report Audit & Supervisory Board Members of the Company promptly.

・Ensure full notification of prohibition of disadvantageous treatments for the reason of a report by officers and employees of the Company and the Group companies to Audit & Supervisory Board Members

Regulations of the Company explicitly state that those who report Audit & Supervisory Board

Members or whistle-blowers are protected from any disadvantageous treatments. Such policy is continuously informed at training sessions, etc., and is also stated in the explanation of systems on the Company's intranet and in leaflets, etc. distributed to employees.
In the compliance training sessions held during the fiscal year under review, video recording of a lecture by the Company's Director was widely distributed, in an effort to get across to its employees the Group's emphasis on protection of whistle-blowers in the Group whistle-blowing system in particular.

・Develop a whistle-blowing system across the entire Group and promptly report to Audit & Supervisory Board Members if whistle-blowing occurs

The Company continues to operate a whistle-blowing system that provides three contact points, internal, external, and through Audit & Supervisory Board Members of the Company. Reports to the internal and external contact points, if any, are promptly reported to Audit & Supervisory Board Members, and when no whistle-blowing has occurred, this fact is reported on a monthly basis.
In addition, all officers and employees of the Group are provided with a leaflet on which the contact points of the whistle-blowing system are listed, and are continuously informed of the system through various training sessions relating to compliance, morning briefings, and the publication of notice, etc.

・Provision of expenses associated with execution of duties of Audit & Supervisory Board Members

Expenses required for audit activities by and the studies of Audit & Supervisory Board Members are appropriated in the budget, and expenditures are reimbursed in a timely manner. Also, any unbudgeted expenditures required for audit activities are properly handled.

・Directors' understanding of and support for the audits by Audit & Supervisory Board Members and proactive improvement of the issues raised by Audit & Supervisory Board Members

At the Board of Directors' meeting held subsequently to the Ordinary General Meeting of Shareholders, the Directors receive explanations of Audit & Supervisory Board Members' annual audit plans and make efforts to understand such plans and cooperate in their implementation. Also, Directors receive reports on audit activities by full-time Audit & Supervisory Board Members on a monthly basis, and report at the Board of Directors' meeting once every three months the status of their responses to the issues raised by Audit & Supervisory Board Members through meetings, etc.

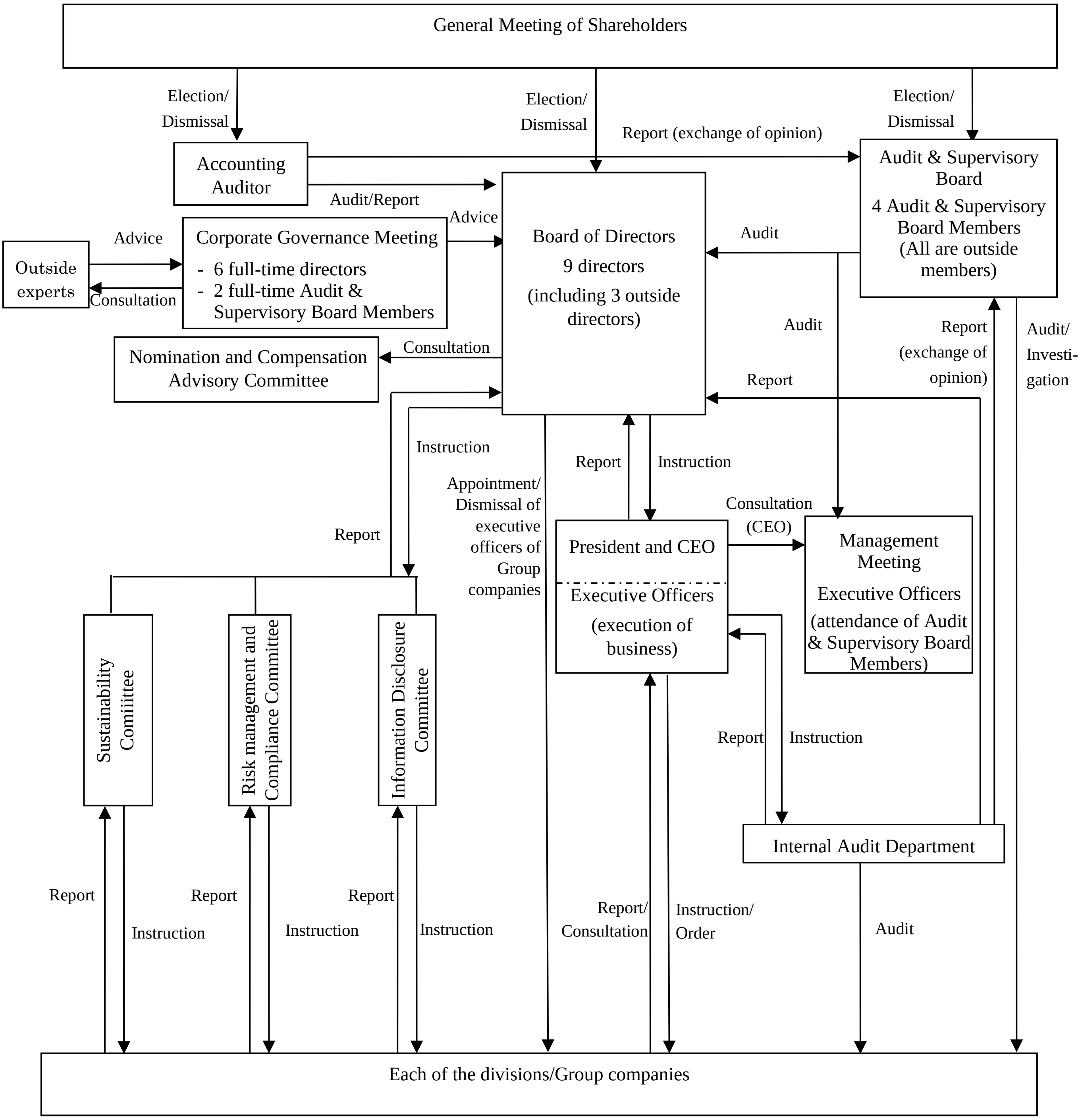
・Cooperation by Directors aiming to enhance audits by Audit & Supervisory Board Members across the entire Group

At the Board of Directors' meetings, the pre-Board meeting discussions, management meetings, and the Risk Management and Compliance Committee's meetings, Directors report the management conditions of the entire Group, risk information, etc. to Audit & Supervisory Board Members and share information. Furthermore, the periodic interviews by full-time Audit & Supervisory Board Members with full-time Directors including the President and CEO, heads of each department, and representative directors of major Group companies, as well as the liaison meetings of Audit & Supervisory Board Members of the Group companies (on a half-yearly basis) are held where full-time Directors offer cooperation as full-time Audit & Supervisory Board Members require.

(c) Status of development of risk management system

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

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



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

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

(a) Details of the basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a change of control of the Company. Also, the Company will not reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

Nonetheless, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders including those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company’s board of directors and shareholders to consider the details of the large-scale acquisition, or for the target company’s board of directors to make an alternative proposal and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

It is particularly necessary and essential for the persons who make decisions on the Company’s financial and business policies to (i) maintain the system under which the Company group covers with its comprehensive capability the diverse business fields and peripheral fields that allow the “integration of real estate and finance,” which leads to maximization of the potential of the Company group, (ii) maintain employees who support those businesses with knowledge and experience specializing in real estate and finance, etc., (iii) maintain the Company’s trust in the real estate industry that has been built up over a long period of time based on the establishment of the ability and information networks supporting various value creation technologies, and (iv) master knowhow that enables comprehensive business. Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company as well as the details of financial and business affairs of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed.

The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate as persons that control decisions on the Company’s financial and business policies. The Company believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking necessary and reasonable countermeasures against a large-scale acquisition by such persons.

(b) Special measures to realize the basic policy

The Group established its three-year medium-term management plan aiming to further increase the Group’s corporate value and is pushing ahead with business under the plan.

In the current medium-term management plan "Infinite Potential 2023" (from December 2020 to November 2023), we have set " Pursue the Group's infinite growth potential in all aspects of real estate and aim for a new stage as a comprehensive real estate company." as our major policy. Changes in the environment surrounding the real estate industry include global warming, a rise in awareness regarding corporate social responsibility, aging society with low, birthrate, as well as new workstyles and diversifying lifestyles triggered by rapid advances in technology including DX and IT. With the awareness that real estate is a social infrastructure that supports life, the Group will genuinely work on social issues relating to real estate and push forward in pursuit of the infinite growth potential of the Group.

During the fiscal year under review, as part of measures to “expand existing businesses” upheld in the said plan, the Group focused on the acquisition of non-current assets in an effort to increase its rental income and the increase of the balance of fund assets under management.

In addition, as part of measures to “create new income-generating models,” the Group promoted measures to build a diverse real estate fund scheme and to fuse the Revitalization Business/Fund and Consulting Business with digital transformation (DX), in order to reinforce its competitive edge, and sold TREC No.3 and 4 securitizing condominium units within the framework of the Tosei Real Estate Crowd (TREC) Funding scheme, while pushing forward with research on real estate tech such as NFTs (non-fungible tokens). We also continue to make efforts with the aim of issuing security tokens backed by domestic real estate, which were launched in the previous fiscal year.

With regard to the promotion of sustainability and ESG management, we developed basic rules on the promotion of sustainability and rules on climate change risk management, and carried out efforts to enhance ESG information disclosure, raise in-house awareness, and leverage green loans. As a part of measures related to sustainability, we also established the “Tosei Group Human Rights Policy” and considered new plans for social contribution.

We aim to ensure and enhance the common interests of shareholders by improving the Group’s corporate value through steady achievement of the targets set in the medium-term management plan and realization of proper corporate governance.

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

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

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

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

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

When (i) the acquisition is not in compliance with the procedures prescribed in the plan or (ii) it threatens to cause obvious harm to the corporate value of the Company, and, in turn, to the common interests of shareholders, (iii) and it is reasonable to implement the gratis allotment of stock acquisition rights, the independent committee will recommend the implementation the gratis allotment of stock acquisition rights to the Company's board of directors. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. These stock acquisition rights will be allotted with an exercise condition that does not allow, as a general rule, the acquirer to exercise the rights and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the acquirer. The Company's board of directors, in exercising its role under the Companies Act, will pass a resolution relating to the implementation or non-implementation of the gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent. In addition, when a meeting of shareholders is convened to confirm the intent of the Company's shareholders, the Company's board of directors will respond to the shareholders' intent. If the procedures for the plan have commenced, the acquirer must not effect an acquisition until and unless the Company's board of directors resolves not to trigger the plan. The effective period of the plan expires at the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years after the conclusion of the 71st Ordinary General Meeting of Shareholders. However, if, before the expiration of the effective period, the Company's board of directors resolves to abolish the plan, the plan will be abolished at that time.

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

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

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

5) Outline of contracts for limitation of liability

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

6) Indemnity agreement

None

7) Outline of the directors and officers liability insurance agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company, with the Directors, Audit & Supervisory Board Members and Executive Officers of the Company, and the Directors and Audit & Supervisory Board Members of the subsidiaries as the insured. The insurance premiums are fully borne by the Company. The insurance covers any damages that may result from the insured being liable for the performance of their duties or being subject to a claim for the pursuit of such liability. The said insurance agreement is renewed each year. However, to ensure the appropriateness of the performance of duties by the insured, there are certain exclusions of liability, such as the non-payment of compensation for losses when the insured unlawfully gainbenefits or conveniences or when the insured engagein actswhile they were aware that such acts were criminal acts, wrongful acts, fraud orviolations of laws or regulations.

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

(a) Number of directors

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

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

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

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

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

(a) Acquisition of treasury shares

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

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

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

(c) Payment of interim dividend

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

10) Requirements for special resolutions of General Meeting of Shareholders

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

(2) Status of officers

1) List of officers

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

Post	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
President and CEO	Seiichiro Yamaguchi	Jan. 5, 1961	Apr. 1983 Entered Mitsui Real Estate Sales Co., Ltd. (the predecessor of Mitsui Fudosan Realty Co., Ltd.) Apr. 1986 Entered Tosei-Shoji Corporation Aug. 1990 Director of the Company Jun. 1994 President and Representative Director of the Company (current position) Dec. 1995 Representative Director of Palms Community Management Co. Ltd. (the predecessor of Tosei Community Co., Ltd.) Jul. 2004 President and CEO of the Company (current position)	Note 3	12,885,500
CFO and Senior Executive Officer of Administrative Division; in charge of Human Resource Department	Noboru Hirano	Oct. 17, 1959	Apr. 1982 Entered Kokubu & Co., Ltd. Apr. 1991 Entered Tosei-Shoji Corporation May 1995 Director of Tosei-Shoji Corporation Mar. 2001 General Manager of Finance and Accounting Department of the Company Oct. 2002 Managing Director of the Company Jul. 2004 Director and Managing Executive Officer of the Company Mar. 2005 Audit & Supervisory Board Member of Tosei Revival Investment Co. Ltd.(the predecessor Tosei Logistics Management Co., Ltd.) Apr. 2005 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Sep. 2005 Representative Director of Tosei REIT Advisors, Inc. (the predecessor of Tosei Asset Advisors, Inc.) Feb. 2006 CFO and Senior Executive Officer of Administrative Division of the Company Dec. 2007 Representative Director of Tosei Revival Investment Co. Ltd.(the predecessor of Tosei Logistics Management Co., Ltd.) Jan. 2013 Representative Director of Tosei Logistics Management Co., Ltd. Feb. 2013 Director of Tosei Community Co., Ltd. Feb. 2016 Director of Tosei Asset Advisors, Inc. (current position) Apr. 2017 CFO, Senior Executive Officer of Administrative Division and in charge of Human Resource Department of the Company (current position) Feb. 2020 Representative Director of Tosei Revival Investment Co., Ltd.(the predecessor of Tosei Logistics Management Co., Ltd.)(current position)	Note 3	48,000
Director, Senior Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 4 and Asset Solutions Business Promotion Department	Hideki Nakanishi	Jun. 17, 1967	Apr. 1990 Entered the Yasuda Trust & Banking Co., Ltd. (the predecessor of Mizuho Trust & Banking Co., Ltd.) Apr. 2006 Entered the Company Mar. 2013 Executive Officer of the Company Feb. 2016 Director of Tosei Revival Investment Co. Ltd. (the predecessor of Tosei Logistics Management Co. Ltd.) Mar. 2017 Managing Executive Officer of the Company Feb. 2018 Director and Managing Executive Officer of the Company Dec. 2018 Director and Managing Executive Officer, Deputy Chief of Business Division of the Company Mar. 2021 Director, COO and Senior Executive Officer of Business Division and in charge of Asset Solution Department 4 and Asset Solutions Business Promotion Department (current position)	Note 3	32,000

Post	Name	Date of birth	Career summary		Term of office	Number of shares held (Share)
Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 5	Masaaki Watanabe	Jan. 25, 1963	Apr. 1986 Feb. 1998 Aug. 2006 Mar. 2008 Jun. 2015 Feb. 2018 Dec. 2019 Feb. 2021	Entered Towa Real Estate Development Co., Ltd. (the predecessor of Mitsubishi Jisho Residence Co., Ltd.) Entered the Company Director of Tosei Logistics Management Co., Ltd. Executive Officer of the Company Managing Executive Officer, Deputy Chief of Business Division of the Company Director and Managing Executive Officer, Deputy Chief of Business Division of the Company Director, Managing Executive Officer, Deputy Chief of Business Division and in charge of Asset Solution Department 5 of the Company (current position) Director of Tosei Community Co., Ltd. (current position)	Note 3	36,100
Director, Executive Officer in charge of Finance Department and General Affairs Department	Shunsuke Yamaguchi	Jul. 26, 1964	Apr. 1988 Aug. 2007 Apr. 2008 Dec. 2012 Mar. 2013 Feb. 2018 Feb. 2020 Mar. 2021 Feb. 2023	Entered TOKYU CONSTRUCTION CO., LTD. Entered the Company Director of Tosei Asset Advisors, Inc. Director of NAI Tosei Japan, Inc. Executive Officer of the Company Audit & Supervisory Board Member of Tosei Asset Advisors, Inc. Director and Executive Officer of the Company Director, Executive Officer in charge of Finance Department and General Affairs Department of the Company (current position) Director of Tosei Hotel Management Co., Ltd. (current position)	Note 3	10,200
Director, Executive Officer in charge of Asset Solution Department 1 and Crowd Funding Department	Hitoshi Oshima	Nov. 19, 1964	Apr. 1988 Dec. 2011 Jul. 2012 Mar. 2014 Dec. 2016 Mar. 2017 Feb. 2020 Dec. 2020 Sep. 2021	The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.) Entered the Company Director of Tosei Revival Investment Co. Ltd. (the predecessor of Tosei Logistics Management Co. Ltd. Managing Director of Tosei Community Co., Ltd. Director of Tosei Community Co., Ltd. Executive Officer of the Company Director and Executive Officer of the Company Director, Executive Officer in charge of Asset Solution Department 1 and Crowd Funding Department of the Company (current position) Director of Princess Square Co., Ltd. (current position) Director of Let's Creation Co., Ltd.	Note 3	1,700
Director	Kenichi Shohtoku	Jan. 20, 1971	Oct. 1995 Sep. 1999 Sep. 2002 Nov. 2003 Sep. 2005 Dec. 2010 Feb. 2012 Jan. 2013	Entered Asahi & Co., Ltd. (the predecessor of KPMG AZSA LLC) Transferred to Arthur Andersen & Co., Kuala Lumpur Office Entered SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) Representative Director of SCS Global Accounting Co., Ltd. (the predecessor of SCS Global Consulting (S) Pte Ltd) (current position) Director of O-RID GLOBAL BPO PTE. LTD. Outside Auditor of ROKI TECHNO CO., LTD Director of the Company (current position) Outside Auditor of ROKI GROUP HOLDINGS CO., LTD. (current position)	Note 3	–

Post	Name	Date of birth	Career summary		Term of office	Number of shares held (Share)
Director	Hiroyuki Kobayashi	Mar. 3, 1965	Apr. 1987 Apr. 2002 Apr. 2003 Jul. 2005 Apr. 2006 Dec. 2006 Jun. 2008 Dec. 2011 Apr. 2014 Apr. 2015 Apr. 2017 Feb. 2018 Apr. 2018 Jun. 2019 Aug. 2019 Dec. 2020 Jun. 2022	Entered the Industrial Bank of Japan, Ltd. (the predecessor of Mizuho Bank, Ltd.) Seconded to Mizuho Securities Co., Ltd. Head of Advisory Department No.4 of Mizuho Securities Co., Ltd. Entered Sofia, Inc. Vice President and Director of Sofia, Inc. Entered Mizuho Securities Co., Ltd. Deputy General Manager, General Planning Department of Mizuho Securities Co., Ltd. General Manager, Corporate Communications Department of Mizuho Securities Co., Ltd. Senior Corporate Officer attached to Retail Division of Mizuho Securities Co., Ltd. Head of Wealth Management Division, Retail Division of Mizuho Securities Co., Ltd. President & CEO of Social Capital Management, Inc. (current position) Director of the Company (current position) Executive Vice President of PRECIOUS SQARE .inc (current position) Outside Auditor of Tohto Suisan Co., Ltd. (current position) Director of SEIWA Co., Ltd. (the predecessor of SEIWA HOLDINGS Co., Ltd) (current position) Representative director of WATASU Co., Ltd. (current position) Outside Auditor of Taiheiyo Kensetsu Kogyo Co., Ltd. (current position) Outside Auditor of Taiheiyo Remicon Co., Ltd. (current position)	Note 3	–
Director	Masao Yamanaka	Jul. 24,1962	Apr. 1997 Jan. 2003 Apr. 2008 May 2012 Jun. 2015 Jun. 2018 Feb. 2020	Registered as attorney-at-law (Daini Tokyo Bar Association) Established Yamanaka Law Office Entered RENAISS Law Office (current position) Outside Auditor of Chiyoda Co., Ltd. (current position) Outside Auditor of System Location Co., Ltd. (current position) Outside Director of ACE SECURITIES CO., LTD. Director of the Company (current position)	Note 3	–
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	Oct. 2, 1958	Apr. 1982 Apr. 1999 Aug. 2000 Aug. 2004 Aug. 2009 Oct. 2011 Feb. 2019 Feb. 2020	Entered The Nippon Credit Bank, Ltd. (the predecessor of Aozora Bank, Ltd.) Head of Real Estate Research Office, Sales Strategy Division II of The Nippon Credit Bank, Ltd. Senior Manager of Real Estate Finance Group, Investment Banks Division of The Nippon Credit Bank, Ltd. Joint General Manager of Corporate Business Division V of The Nippon Credit Bank, Ltd. Joint General Manager of Human Resources Division of The Nippon Credit Bank, Ltd. Joint General Manager of Internal Audit Division of The Nippon Credit Bank, Ltd. Full-time Audit & Supervisory Board Member of the Company (current position) Audit & Supervisory Board Member of Tosei Hotel Management Co., Ltd. (current position) Audit & Supervisory Board Member of Tosei Hotel Service Co., Ltd.	Note 4	–

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Share)
Audit & Supervisory Board Member (full-time)	Toshinori Kuroda	Jan. 9, 1960	Apr. 1982 Entered The Sanwa Bank, Ltd. (the predecessor of MUFG Bank, Ltd.) May. 1989 Completed MBA at Purdue University in the U.S. Nov. 1991 Assigned to Sanwa Business Credit Corporation (Chicago, IL, U.S.) Aug. 1995 Assigned to Sanwa Bank California (Los Angeles, CA, U.S.) Oct. 2002 Deputy General Manager of Public & Institutional Business Division of UFJ Bank Limited (the predecessor of MUFG Bank, Ltd.) May. 2007 Chief Manager of Internal Audit Office of Internal Audit Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the predecessor of MUFG Bank, Ltd.) May. 2012 Entered Mitsubishi UFJ NICOS Co., Ltd. Oct. 2012 General Manager of Compliance Division of Mitsubishi UFJ NICOS Co., Ltd. Apr. 2017 Chief Auditor of Internal Audit Division of Mitsubishi UFJ NICOS Co., Ltd Feb. 2021 Full-time Audit & Supervisory Board Member of the Company (current position) Feb. 2022 Audit & Supervisory Board Member of Tosei Community Co., Ltd. Feb. 2023 Supervisory Board Member of Tosei Logistics Management Co., Ltd. (current position)	Note 5	–
Audit & Supervisory Board Member	Tatsuki Nagano	Apr. 16, 1959	Apr. 1983 Entered The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Jul. 1995 Financial Planning Chief of Corporate Planning Dept. at headquarters of The Chuo Trust & Banking Co., Ltd. (the predecessor of Sumitomo Mitsui Trust Bank, Limited) Jul. 2000 Management Director of RG Asset Management PTE. LTD. Jul. 2004 Director of Reference Group Holdings Ltd. Aug. 2004 Representative Director of RG Asset Management Co., Ltd. Feb. 2012 Audit & Supervisory Board Member of the Company (current position) Apr. 2013 Director of RG Asset Management Services Limited (BVI) Apr. 2013 Director and Representative Partner of RG Asset Management Services Limited (HK) Jun. 2014 Outside Director of System Location, Co., Ltd. (current position) Feb. 2016 Managing Director, Head of the Management Headquarters of All Nippon Asset Management, Co., Ltd. Jun. 2019 Vice President and Representative Director of All Nippon Asset Management, Co., Ltd. Jun. 2021 President and Representative Director of All Nippon Asset Management, Co., Ltd. (current position)	Note 5	–
Audit & Supervisory Board Member	Osamu Doi	Feb. 23, 1964	Apr. 1987 Entered The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.) Jul. 1993 Transferred to Nikko Europe PLC Feb. 1998 Returned to The Nikko Securities Co., Ltd. (the predecessor of SMBC Nikko Securities Inc.) Apr. 2002 Entered FinTech Global Incorporated Oct. 2005 Senior Vice President of Structured Finance Division of FinTech Global Incorporated Oct. 2006 Deputy Head of Investment Banking Division of FinTech Global Incorporated Apr. 2007 Head of Investment Department of FinTech Global Incorporated Feb. 2013 Audit & Supervisory Board Member of the Company (current position)	Note 5	–
Total					13,013,500

Notes: 1. Kenichi Shohtoku, Hiroyuki Kobayashi and Masao Yamanaka are outside directors.
2. Hitoshi Yagi, Toshinori Kuroda, Tatsuki Nagano and Osamu Doi are outside audit & supervisory board members.
3. Two-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 25, 2022.

4. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 24, 2023.
5. Four-year period from the conclusion of the Ordinary General Meeting of Shareholders held February 25, 2021.

2) Status of Outside Directors

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

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

Standards for independence provided by the Company are as follows:

(i) He/she has not been an officer/employee of the Group in the past 10 years;
(ii) He/she is not or was not an employee of any business partner whose value of transaction with the Group accounts for 2% or more of the Company's consolidated sales (except for a former employee with respect to whom three years or more have passed since he/she ceased to belong to such business partner);
(iii) He/she is not a major shareholder of the Company (holding 10% or more of the total voting rights) or a person who executes its business;
(iv) He/she is not a person with respect to whom the Group holds 10% or more of the total voting rights or a person who executes its business;
(v) He/she is not an attorney, accountant, etc. who receives remuneration of ¥10 million or more per annum from the Group other than remuneration for officers; and
(vi) There are otherwise no circumstances with respect to him/her that may cause doubt as to the independence in executing duties as Independent Outside Director.

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

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

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

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

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

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

Outside audit & supervisory board member Osamu Doi has abundant experience and specialist knowledge acquired at major securities companies and at companies that conduct investment banking, the Company believes that he can fulfill his responsibilities of securing adequacy and appropriateness in the Company's management.

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

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

(3) Status of audit

1) Status of Auditing by audit & supervisory board members

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

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

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

The Audit & Supervisory Board met 16 times during the fiscal year, and attendance status of each Audit members are as follows. The average time required for each meeting of the Board of Corporate Auditors is approximately one hour 25 minutes, and the total number of proposals per year is 73.（13 matters to be resolved, 14 matters to be deliberated, 40 matters to be reported, and 6 other matters）

Post	Name	Number of times held	Attendance	Attendance rate	Note
Audit & Supervisory Board Member (full-time)	Hitoshi Yagi	16	16	100％	Chairman of the Audit & Supervisory Board
Audit & Supervisory Board Member (full-time)	Toshinori Kuroda	16	16	100%	
Audit & Supervisory Board Member (non-full-time)	Tatsuki Nagano	16	13	81%	
Audit & Supervisory Board Member (non-full-time)	Osamu Doi	16	16	100%	

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

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

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

In the fiscal year under review, full-time Audit & Supervisory Board Members engaged in audit activities in accordance with the yearly audit plan by attending the board of directors and management meetings,

audits during the period, accounting audits, audits of internal controls related to financial control, etc. We carry out year-end audits, etc., and we have built an efficient and effective audit system in collaboration with the Accounting Auditor and the Internal Audit Department.
In addition, full-time Audit & Supervisory Board Members inspect important documents, conduct business audits throughout the year, hold regular meetings with the president, directors, executive officers, and department heads, for the purpose of strengthening corporate governance in the Group. Attending the Corporate governance meeting, attending the Risk Management and Compliance Committee's meeting to realize centralized and cross-cutting risk management and compliance promotion of the Group, etc., full-time Audit & Supervisory Board Members strive to understand the status of business execution and express candid opinions as outside Audit & Supervisory Board Members.
In addition, similarly to the full-time Audit & Supervisory Board Members, part-time Audit & Supervisory Board Members audit management policies by attending Board of Directors' meetings and by attending Management meetings as observers, conduct mid-term audits, accounting audits, audits on internal controls related to financial control, term-end audits, etc., and when necessary, attend various meetings attended by full-time Audit & Supervisory Board Members and express candid opinions as outside Audit & Supervisory Board Members based on their expertise.

2) Status of The Internal Audit Department

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

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

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

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

The Audit & Supervisory Board Members hold a regular exchange of opinions session with the Internal Audit Department once every two months, and the full-time Audit & Supervisory Board Members receive reports from the General Manager of the Internal Audit Department every time internal auditing work is conducted and exchange opinions.
In addition, the six members of the Internal Audit Department also serve as assistant employees of the Audit & Supervisory Board Members, and assist the Audit & Supervisory Board Members by appropriately dividing roles. They also attend interviews conducted by full-time Audit & Supervisory Board Members with the accounting auditor and heads of divisions, etc. as assistants to the Audit & Supervisory Board Members.

5) Accounting audits

(a) Name of audit corporation

Shinsoh Audit Corporation

(b) Years of continuous auditing

14 years

(c) Names of certified public accountants who executed audit

Designated and Engagement Partner Takashi Aikawa
Designated and Engagement Partner Atushi Iijima

(d) Breakdown of assistants in auditing operations

Certified public accountants: 5 persons
Other: 4 persons

(e) Audit certificate examination system

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

(f) Method and reasons for selecting the audit corporation

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

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

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

6) Audit fees

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

Classification	Fiscal year ended Nov. 30, 2021		Fiscal year ended Nov. 30, 2022	
	Fees for audit attestation services (¥ thousand)	Fees for audit attestation services (¥ thousand)	Fees for audit attestation services (¥ thousand)	Fees for non-audit services (¥ thousand)
Filing company	41,000	–	45,000	—
Consolidated subsidiaries	11,800	–	17,400	—
Total	52,800	–	62,400	—

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

None

(c) Other important fees of Audit

None

(d) Policy for determining audit fees

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

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

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

(4) Remuneration, etc. of officers

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

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

Maximum total amount of Directors' remuneration is set at ¥500 million (including a maximum of ¥80 million of Outside Directors' remuneration; excluding employee salaries) per year as determined at the 70th Ordinary General Meeting of Shareholders held on February 26, 2020. In addition to this, Directors' remuneration as stock options within the range of ¥100 million per year (including ¥10 million or less for Outside Directors) was approved at the 69th Ordinary General Meeting of Shareholders held on February 27, 2019.

And the number of directors is stipulated in the Articles of Incorporation to be no more than 12.

Remuneration for full-time Directors consists of monetary remuneration, comprising a "fixed salary" which is scaled according to duties, "performance evaluation remuneration" which is based on the achievement of individual goals such as the performance of each full-time Director, and "Directors' bonuses" which are linked to consolidated profit before tax, and "stock options" which are aimed to increase the desire and motivation to contribute to the medium- to long-term enhancement of corporate value.

Due to the emphasis on their supervisory function from a standpoint independent of the execution of business, Outside Directors' remuneration is composed of a "fixed salary" and "stock options" only. No "performance evaluation remuneration" or "Directors' bonuses" are paid to Outside Directors.

The Representative Director drafts proposals for each Director's remuneration, which are discussed by the Nomination and Compensation Advisory Committee, before being decided by resolution of the Board of Directors.

"Fixed salary"

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

"Performance-linked remuneration" (performance evaluation remuneration and Bonus)

The "performance evaluation remuneration" for full-time Directors is based on their individual achievement of single-year performance targets. A "standard evaluation remuneration amount" equal to 33% of the fixed salary is paid monthly together with the fixed salary, and where there is an adjustment based on the achievement of performance targets (of between +55% and -50% of the standard evaluation remuneration), this will be paid as a lump sum together with Directors' bonuses after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.

"Directors' bonuses," which are linked to single-year consolidated profit before tax, are calculated by multiplying the fixed salary per annum by a factor, which is the sum of a predetermined factor based on the level of profit before tax, and an extra factor where the single-year target profit before tax has been achieved. This is paid as a lump sum after the conclusion of the Ordinary General Meeting of Shareholders held during the fiscal year.

The ratio of fixed salary to performance-linked remuneration (comprising performance evaluation remuneration and Directors' bonuses) is kept at around 60:40. The ratio for the fiscal year under review (the 73rd term) is 56:44.

"Reasons for selecting consolidated profit before tax as the index for Directors' bonuses, and consolidated profit before tax targets and results in recent fiscal years"

As directors of a listed company, engaged in consolidated management, the Company's Directors are charged with the important tasks of maintaining and increasing the level of consolidated profit before tax, and achieving the consolidated profit before tax targets each fiscal year. For these reasons, consolidated profit before tax is used to index Directors' bonuses.

Remuneration for each individual Director is discussed by the Nomination and Compensation Advisory Committee, evaluates the level of contribution to governance of the Company and the Group as a whole, achievement of the department in charge, and maintenance / improvement of consolidated management indicators (ROE, stock price, etc.), before being decided by the Board of Directors.

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

Profit before tax (consolidated)	71st term Fiscal year ended Nov. 30, 2020	72nd term Fiscal year ended Nov. 30, 2021	73rd term Fiscal year ended Nov. 30, 2022
Targets	¥13.0 billion	¥8.0 billion	¥12.0 billion
Results	¥5.9 billion	¥10.3 billion	¥12.7 billion

"Stock options"
In order to pursue corporate management with a focus on enhancing corporate value over the medium- to long-term, the President and Representative Director drafts proposals for the number of stock options to be granted to each Director, based on the Director's duties as well as posts held concurrently by the Director as Executive Officer, for each medium-term management plan. These proposals are examined by the Nomination and Compensation Advisory Committee, before being decided by the Board of Directors.
A fixed number of stock options are granted to Outside Directors, considering the importance of their management monitoring and supervisory function aimed at enhancing corporate value.

"Reasons why the Board of Directors determined that the content of remuneration, etc., for individual Directors for the fiscal year under review is in line with the determination policy"
The Nominating and Compensation Advisory Committee had conducted a multi-faceted examination of the content of the amount of remuneration for individual Directors for the fiscal year under review, including from the viewpoint of consistency with the determination policy. The Board of Directors basically respected the results of the Committee's deliberations and judged that it was in line with the determination policy. As explained in 2)above, at the Company, the Board of Directors determines the content of remuneration, etc. for individual Directors, and does not delegate this determination toa Director or other third parties.

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

Maximum total amount of Audit & Supervisory Board Members' remuneration is set at ¥60 million per year as determined at the 54th Ordinary General Meeting of Shareholders held on February 28, 2004.
And the number of Audit & Supervisory Board Members is stipulated in the Articles of Incorporation to be no more than 6.
Audit & Supervisory Board Members, considering their role, are remunerated with a fixed salary only.
Remuneration for each Audit & Supervisory Board Member is decided through discussion of the Audit & Supervisory Board, within the limits of the maximum total amount.

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

Position	Total amount of remuneration, etc. (¥ thousand)	Total amount by type of remuneration, etc. (¥ thousand)				Number of recipients (Person)
		Basic remuneration	Performance-linked remuneration		Non-monetary remuneration, etc.	
			performance evaluation remuneration	Bonus	Stock Options	
Directors (excluding outside directors)	270,398	150,939	50,313	69,146	–	6
Audit & supervisory board members (excluding outside audit & supervisory board members)	–	–	–	–	–	–
Outside officers	53,910	53,910	–	–	–	7

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

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

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

None

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

Date	Meeting name	Discussion / Resolution
Feb. 18 2022	the Nomination and Compensation Advisory Committee	･Review of the basic policy on remuneration (remuneration guidelines) for full-time Directors ･ Monthly fixed salary for nine (9) Directors for the 12 months from March 2022 to February 2023
Feb. 25 2022	the Board of Directors	･ Amended the basic policy on Basic remuneration and performance evaluation remuneration (remuneration guidelines) for full-time Directors ･Remuneration distribution for directors
Dec. 21 2022	the Nomination and Compensation Advisory Committee	･ Performance evaluation for each of the full-time Directors for the 73rd term (the fiscal year ended November 30, 2022) ･ Payment of Directors' bonuses for the 73rd term (the fiscal year ended November 30, 2022)
Dec. 26 2022	the Board of Directors	･ Performance evaluation for each of the full-time Directors for the 73rd term (the fiscal year ended November 30, 2022) ･ Payment of Directors' bonuses to full-time Directors for the 73rd term (the fiscal year ended November 30, 2022)

(5) Status of stocks held

1) Criteria and concept on stocks for investment

The Company classifies investment shares as follows.

(a) Investment shares held for pure investment purposes

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

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

(i) Strategic shareholdings

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

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

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

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

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

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

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

	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)
Unlisted stocks	1	1,200
Stocks other than unlisted stocks	—	—

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

None

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

None

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

None

3) Stocks for investment held solely for investment purpose

Category	Fiscal year ended Nov. 30, 2022		Fiscal year ended Nov. 30, 2021	
	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)	Number of stocks	Total of the amounts recorded in the balance sheet (¥ thousand)
Unlisted stocks	—	—	—	—
Stocks other than unlisted stocks	1	90,139	1	95,511

Category	Fiscal year ended Nov. 30, 2022		
	Total amount of dividends received (¥ thousand)	Total amount of sales gain or loss (¥ thousand)	Total amount of gain or loss on valuation (¥ thousand)
Unlisted stocks	—	—	—
Stocks other than unlisted stocks	790	—	—

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

None

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

None

V. Accounting

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

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

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

2. Audit attestation

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year ended November 30, 2022(from December 1, 2021 to November 30, 2022) and the non-consolidated financial statements for the fiscal year ended November 30, 2022 (from December 1, 2021 to November 30, 2022) were audited by Shinsoh Audit Corporation.

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

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

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

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

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated statements of financial position

(¥ thousand)

	Notes	As of Nov. 30, 2021	As of Nov. 30, 2022
Assets			
Current assets			
Cash and cash equivalents	7	33,560,679	31,767,008
Trade and other receivables	9	4,139,380	10,038,132
Inventories	10	85,210,849	95,303,762
Other current assets	11	46,903	22,640
Total current assets		122,957,812	137,131,544
Non-current assets			
Property, plant and equipment	12	23,860,236	22,963,356
Investment properties	13	39,812,070	39,864,258
Goodwill	14	1,401,740	1,401,740
Intangible assets	14	191,758	205,354
Trade and other receivables	9	1,509,310	1,457,809
Other financial assets	8	4,511,800	7,219,963
Deferred tax assets	15	752,916	698,518
Other non-current assets	11	13,254	13,254
Total non-current assets		72,053,087	73,824,257
Total assets		195,010,899	210,955,801
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	4,976,342	5,681,615
Interest-bearing liabilities	17	11,432,641	13,739,325
Current income tax liabilities	15	2,625,593	1,935,664
Provisions	18	788,366	1,079,970
Total current liabilities		19,822,944	22,436,575
Non-current liabilities			
Trade and other payables	16	4,373,252	3,612,629
Interest-bearing liabilities	17	103,521,924	111,108,220
Retirement benefits obligations	19	646,515	704,268
Provisions	18	15,284	15,449
Deffered Tax Liabilties	15	672,238	787,980
Total non-current liabilities		109,229,215	116,228,549
Total Liabilities		129,052,159	138,665,124
Equity			
Share capital	20	6,624,890	6,624,890
Capital reserves	20	6,790,172	6,775,532
Retained earnings		53,250,370	60,029,994
Treasury shares	20	(911,662)	(1,533,670)
Other components of equity	20	204,969	393,929
Total equity attributable to owners of parent		65,958,740	72,290,677
Total equity		65,958,740	72,290,677
Total liabilities and equity		195,010,899	210,955,801

2) Consolidated statements of comprehensive income

(¥ thousand)

	Notes	Year ended Nov. 30, 2021 (Dec. 1, 2020 – Nov. 30, 2021)	Year ended Nov. 30, 2022 (Dec. 1, 2021 – Nov. 30, 2022)
Revenue	22	61,726,449	70,953,486
Cost of revenue	23	41,024,914	45,686,452
Gross profit		20,701,534	25,267,033
Selling, general and administrative expenses	24, 25	9,778,616	12,107,013
Other income	26	177,190	359,807
Other expenses	27	134,496	5,624
Operating profit		10,965,612	13,514,203
Finance income	28	249,562	377,620
Finance costs	28	912,557	1,138,284
Profit before tax		10,302,616	12,753,538
Income tax expense	15	3,578,917	4,146,450
Profit for the year		6,723,698	8,607,088
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	29	405,964	105,128
Remeasurements of defined benefit pension plans	29	(18,615)	(11,680)
Subtotal of Other comprehensive income Items that will not be reclassified to profit or loss		387,348	93,447
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	29	13,827	38,663
Net change in fair values of cash flow hedges	29	11,884	45,168
Subtotal of other comprehensive income Items that may be reclassified to profit or loss		25,712	83,832
Other comprehensive income for the year, net after tax		413,061	177,279
Total comprehensive income for the year		7,136,760	8,784,368
Profit attributable to:			
Owners of the parent		6,721,305	8,607,088
Non-controlling interests		2,393	—
Profit for the year		6,723,698	8,607,088
Total comprehensive income attributable to:			
Owners of the parent		7,134,366	8,784,368
Non-controlling interests		2,393	—
Total comprehensive income for the year		7,136,760	8,784,368
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	30	142.56	181.66
Diluted earnings per share (¥)	30	142.37	181.33

3) Consolidated statements of changes in equity

Year ended November 30, 2021 (Dec. 1, 2020 – Nov. 30, 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 Dec. 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 year				6,721,305			6,721,305	2,393	6,723,698
Other comprehensive income						413,061	413,061		413,061
Total comprehensive income for the year		—	—	6,721,305	—	413,061	7,134,366	2,393	7,136,760
Amount of transactions with owners									
Purchase of treasury shares	20		(5,295)		(500,049)		(505,345)		(505,345)
Disposal of treasury shares	20		156,273		1,088,443		1,244,717		1,244,717
Dividends from surplus	21			(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)
Share-based payment	35		12,189				12,189		12,189
Transfer from other components of equity to retained earnings				(16,596)		16,596	—		—
Balance at Nov. 30, 2021		6,624,890	6,790,172	53,250,370	(911,662)	204,969	65,958,740	—	65,958,740

Year ended November 30, 2022 (Dec. 1, 2021 – Nov. 30, 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 Dec. 1, 2021		6,624,890	6,790,172	53,250,370	(911,662)	204,969	65,958,740	65,958,740
Profit for the year				8,607,088			8,607,088	8,607,088
Other comprehensive income						177,279	177,279	177,279
Total comprehensive income for the year		—	—	8,607,088	—	177,279	8,784,368	8,784,368
Amount of transactions with owners								
Purchase of treasury shares	20		(1,837)		(885,972)		(887,809)	(887,809)
Disposal of treasury shares	20		(12,802)		263,964		251,161	251,161
Dividends from surplus	21			(1,815,783)			(1,815,783)	(1,815,783)
Transfer from other components of equity to retained earnings				(11,680)		11,680	—	—
Balance at Nov. 30, 2022		6,624,890	6,775,532	60,029,994	(1,533,670)	393,929	72,290,677	72,290,677

4) Consolidated statements of cash flows

(¥ thousand)

	Notes	Year ended Nov. 30, 2021 (Dec. 1, 2020 – Nov. 30, 2021)	Year ended Nov. 30, 2022 (Dec. 1, 2021 – Nov. 30, 2022)
Cash flows from operating activities			
Profit before tax		10,302,616	12,753,538
Depreciation expense		1,492,087	1,589,224
Increase (decrease) in provisions and retirement benefits obligations		222,214	349,256
Interest and dividends income		(251,805)	(377,620)
Interest expenses		912,557	1,138,284
Decrease (increase) in trade and other receivables		(1,516,068)	(5,542,772)
Decrease (increase) in inventories		(7,118,262)	(6,365,535)
Increase (decrease) in trade and other payables		(1,157,713)	1,307,604
Other, net		8,827	(251,066)
Subtotal		2,894,452	4,600,915
Interest and dividends income received		256,073	301,923
Income taxes paid		(2,532,796)	(5,099,923)
Income taxes refund		356,873	–
Net cash from (used in) operating activities		974,603	(197,084)
Cash flows from investing activities			
Purchase of property, plant and equipment		(974,097)	(89,098)
Purchase of investment properties		(12,251,192)	(3,172,982)
Purchase of intangible assets		(39,893)	(79,221)
Payments of loans receivable		(610,695)	(460,300)
Collection of loans receivable		4,027	6,547
Purchase of other financial assets		(102,673)	(2,921,115)
Collection of other financial assets		157,049	364,677
Payments for acquisition of subsidiaries		(1,610,227)	(2,764,974)
Other, net		(21,275)	35,365
Net cash from (used in) investing activities		(15,448,977)	(9,081,101)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	36	1,358,000	3,056,646
Proceeds from non-current borrowings	36	49,831,946	37,857,089
Repayments of non-current borrowings	36	(37,419,887)	(29,180,363)
Redemption of bonds	36	–	(66,356)
Repayments of lease obligations	36	(254,241)	(432,155)
Repayments to non-controlling shareholders		(117,600)	–
Capital contribution from non-controlling interests		117,600	–
Cash dividends paid		(896,367)	(1,814,599)
Dividends paid to non-controlling interests		(2,771)	–
Purchase of treasury shares		(500,049)	(885,972)
Proceeds from disposal of treasury shares		44,767	251,701
Interest expenses paid		(1,167,130)	(1,308,793)
Net cash from (used in) financing activities		10,994,264	7,477,196
Net increase (decrease) in cash and cash equivalents		(3,480,109)	(1,800,990)
Cash and cash equivalents at beginning of year		37,039,600	33,560,679
Effect of exchange rate change on cash and cash equivalents		1,220	7,319
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		(31)	–
Cash and cash equivalents at end of year	7	33,560,679	31,767,008

[Notes to Consolidated Financial Statements]

1. Reporting entity

   TOSEI CORPORATION (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the Prime Market of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company and its consolidated subsidiaries (hereinafter collectively, the "Group") engage in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in "6. Segment information" in the notes.

2. Basis of preparation

(1) Compliance with IFRS

Since the Company qualifies as a "Designated International Financial Reporting Standards specified company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), its consolidated financial statements have been prepared in accordance with IFRS under the provision of Article 93 of the said ordinance.

These consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on February 20, 2023.

(2) Basis of measurement

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

(3) Presentation currency and unit

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

3. Significant accounting policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

2) Business combinations

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

(2) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each entity in the Group using the exchange rates at the date of the transactions. Assets and liabilities denominated in foreign currencies to be remeasured at the end of each reporting period are retranslated into the functional currencies using the exchange rates at that date. Non-monetary assets and liabilities measured at fair value in foreign currencies are retranslated into the functional currencies using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement of such transactions, and exchange differences arising on translating foreign currency-denominated monetary assets and liabilities using the exchange rates at the end of the reporting period, are recognized in profit or loss. However, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the foregoing exchange differences are also recognized in other comprehensive income.

2) Overseas operations

Assets and liabilities of overseas operations are translated into Japanese yen using the exchange rate at the reporting date. Income and expenses are translated into Japanese yen using the average exchange rate for the period. However, if such an average exchange rate is not considered as a reasonable approximation of the cumulative effect of the exchange rates at the transaction dates, the exchange rates at the transaction dates are used.

Exchange differences arising on translating financial statements of overseas operations are recognized in other comprehensive income. On the disposal of the interest in an overseas operation involving loss of control or significant influence, the cumulative amount of the exchange differences in connection with the foreign operation is recognized in profit or loss in the period during which the interest is disposed of.

(3) Cash and cash equivalents

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

(4) Financial instruments

1) Valuation basis and methods for financial assets

The Group classifies investments in financial assets in three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. This classification is made according to the nature of assets and for what purpose the assets were acquired. The classification of investments is determined on initial recognition, and whether the classification is appropriate is reassessed at each reporting date.

(ｉ) Classification of financial assets

(a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost, if both of the following conditions are met:

- The asset is held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(b) Financial assets measured at fair value through other comprehensive income (debt financial assets)

Financial assets are classified as financial assets measured at fair value through other comprehensive income, if both of the following conditions are met:

- The asset is held based on a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the assets are measured at fair value and subsequent changes are recognized in other comprehensive income. As of the end of the fiscal year under review, no financial assets measured at fair value through other comprehensive income (debt financial assets) were held by the Group.

(c) Financial assets measured at fair value through other comprehensive income (equity financial assets)

Equity financial assets are classified as financial assets measured at fair value through other comprehensive income, with the exception of some assets.

Of the financial assets measured at fair value through other comprehensive income (equity financial assets) held by the Group, the fair value of listed securities is measured at quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group calculates fair value using certain valuation techniques, in particular, which include recent cases of arm's length transactions, references to prices of other financial instruments that are substantially equivalent, the discounted cash flow method, and others.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

(ⅱ) Recognition and subsequent measurement

Purchase and sale of a financial asset are recognized at the transaction date, which is the date on which the Group commits itself to purchase or sell the asset. A financial asset is derecognized when the rights to receive cash flows from the asset are extinguished or transferred, and the Group has substantially transferred all the risks and economic value incidental to ownership of the asset. Financial instruments are initially recognized at the fair value plus directly attributable transaction costs, and subsequently measured at the fair value.

(ⅲ) Impairment

The Group assesses financial assets or financial asset groups on a quarterly basis on whether there is any objective evidence that the asset or asset group is impaired. When there is objective evidence, impairment losses are recognized. Of financial assets measured at amortized cost, objective evidences for impairment of trade and other receivables are debtors' financial difficulties, possibility of bankruptcy, or impossibility or significant delays of payments. Book values of such assets are written down using allowance based on the amount of impairment loss calculated as the difference between the present value of estimated future cash flows discounted at the initial effective interest rate and the book value. If the asset becomes unrecoverable, the amount of impairment loss is directly reduced from the book value of the financial asset.

Reversal of an amount previously amortized is recognized in the profit or loss item in which impairment loss is accounted for. If such amount can be objectively measured because the amount of impairment loss has decreased resulting from an increase in the present value of estimated future cash flows discounted at the initial effective interest rate, the amount of decrease in the allowance is recognized in profit or loss in subsequent accounting periods. The book value of assets previously impaired are increased within the scope of amount not exceeding the amortized cost that are assumed in case of non-impairment.

For equity financial assets, the possibility that the cost of investment is not recoverable and whether there is a significant or long-term decrease of fair value, which are included in information on significant changes that have adverse effects arising in the business environment where an issuer runs its business, are also taken into account in assessing whether there is any objective evidence for impairment. When there is objective evidence of impairment for equity financial assets, accumulated other comprehensive income are immediately transferred to retained earnings.

(ⅳ) Derivatives and hedge

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

2) Valuation basis and methods for financial liabilities

The Group recognizes a financial liability at the transaction date on which the Group becomes a party to the contract of the financial instrument.

The Group derecognizes a financial liability when it is extinguished, that is, when the contractual obligation is either discharged, cancelled, or expires.

Furthermore, the Group initially recognizes a financial liability at fair value and subsequently measures at amortized cost based on the effective interest method.

(5) Inventories

Inventories are assessed at cost or, if lower, at net realizable value. Net realizable value is calculated by deducting costs to sell from the estimated selling price.

The cost of inventories is comprised of purchase prices, development expenses, borrowing costs and separately identified expenditure including other related expenditure.

Borrowing costs for borrowings for developed real estate are capitalized as part of cost of the developed real estate over the period up to the end of the development, based on the specific identification method.

(6) Property, plant and equipment

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

Property, plant and equipment are stated at the book value amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, and costs of dismantling and removing the assets and restoring the site on which they have been located, and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets.

Subsequent expenditures on property, plant and equipment that have already been recognized are included in the book value of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Costs of the day-to-day servicing of property, plant and expenditure are recognized in profit or loss when incurred.

Depreciation of assets except for land and construction in progress is principally computed under the straight-line method over the following estimated useful lives. The declining balance method is applied, if depreciation based on the declining balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, furniture and fixtures	3 to 20 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and changed if necessary.

(7) Goodwill and Intangible assets

1) Goodwill

The amounts of initial recognition and measurement of goodwill arising from business combinations are shown in “(1) Basis of consolidation 2) Business combinations.”
Goodwill is presented at the carrying amount, which is calculated as cost less any accumulated impairment losses. Goodwill is not amortized, and is tested for impairment at the end of each year or whenever there is an indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of comprehensive income and are not subsequently reversed.

2) Intangible assets

The Group applies the cost model in measurement of intangible assets. An intangible asset is carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. The estimated useful lives and amortization methods are reviewed in each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in accounting estimate.

The estimated useful lives of major asset items are as follows:

Software	5 years

Subsequent expenditures on intangible assets that have already been recognized are included in the carrying amount of the assets only if it is highly probable to generate future economic benefits related to the items for the Group and the expenditures can be measured reliably. Other expenditures are recognized in profit or loss when incurred. Acquired software is initially recognized at cost including purchase consideration (net of discounts and rebates) and expenditures directly attributable to the preparation for the asset for the intended use. Intangible assets with indefinite useful lives are not amortized, and are tested for impairment at the end of each year or whenever there is an indication of impairment.

(8) Leases

The Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. When the Group assesses that a contract is or contains a lease, at the commencement of the lease, the Group recognizes right-of-use assets and lease liabilities.

Lease liabilities are measured at the present value of the total accrued lease payments. Right-of-use assets are measured at acquisition costs that are calculated using the amount of the initial measurement of the lease liabilities, adjusted by any initial direct costs incurred by the lessee, such as lease payments made at or before the commencement date.

Subsequent to the initial recognition, the right-of-use assets are depreciated using the straight-line method over their estimated useful life or lease term, whichever is shorter. The lease payments are apportioned between the finance costs and the reduction in the lease liabilities based on the effective interest method. The finance costs are recognized in the consolidated statement of comprehensive income.

Provided, however, for lease payments for short-term leases within 12 months and leases of low-value assets, right-of-use assets and lease liabilities are not recognized, and the lease payments are recognized as an expense over the lease term on a straight-line basis.

Right-of-use assets are included in “Property, plant and equipment” and “Investment properties” in the consolidated statement of financial position. The lease liabilities are included in “Interest-bearing liabilities” in the consolidated statement of financial position.

(9) Investment properties

Investment properties are properties held to earn rentals or for capital gain or both, and do not include properties for sale in the ordinary course of business or used for administrative purposes.

The Group applies the cost model in measurement of investment properties.

Investment properties are initially recognized at cost, and subsequently stated at the book value amount, which is calculated as cost less any accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is principally computed under the straight-line method over the following estimated useful lives. The declining balance method is applied, if depreciation based on the declining balance method better reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the entity.

Buildings and structures	3 to 50 years
Tools, fixtures and fixtures	3 to 10 years

The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each year, and changed if necessary.

(10) Impairment of non-financial assets

The Group assesses whether there is any indication of impairment on a quarterly basis for the carrying amount of non-financial assets except inventories and deferred tax assets. If any such indication exists, the Group estimates the recoverable amount of the asset or each cash-generating unit to which the asset belongs for impairment testing. Goodwill and intangible assets with indefinite useful lives are tested for impairment at the same time annually, or whenever there is an indication of impairment, by estimating the recoverable amount of the asset.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of an asset or cash-generating unit falls below the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount.

The difference between the carrying amount and the recoverable amount is recognized in profit or loss as an impairment loss.

Impairment losses related to goodwill are not reversed.

With regard to other assets other than goodwill for which an impairment loss has been recognized in prior years, the Group assesses whether there is any indication that the loss has decreased or been extinguished. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.

If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization, and is recognized as profit or loss.

(11) Trade and other payables

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

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

(12) Interest-bearing liabilities

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

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

(13) Provisions

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

(14) Employment benefits

1) Defined benefit pension plans

Liabilities associated with defined benefit pension plans are calculated by discounting the estimated amount of future benefits obtained in return for services that employees rendered in prior years or the fiscal year under review to the present value. The yield of gilt-edged corporate bonds of which the maturity largely matches that of the Group’s debts is used as the discount rate. These liabilities are calculated by actuaries using the projected unit credit method. Remeasurement amounts arising from defined benefit pension plans are recognized as other comprehensive income and the amounts are transferred to retained earnings.

2) Defined-contribution pension plans

Defined-contribution pension plans are post-employment benefit plans in which an employer pays fixed contributions to a separate entity and will have no obligation to pay further contributions.

Contributions associated with defined-contribution pension plans are recognized in profit or loss in the period during which employees render services.

3) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as profit or loss when the related service is rendered.

Bonus accrual and paid absences are recognized as liabilities, when the Group has present legal or constructive obligations to pay, and when a reliable estimate of the amount of obligations can be made.

(15) Revenue

1) Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the following five-step approach, except for interest and dividend income, etc. under IFRS 9 Financial Instruments and rental income, etc. under IFRS 16 Leases.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group’s major businesses are “Revitalization Business,” “Development Business,” “Rental Business,” “Fund and Consulting Business,” “Property Management Business” and “Hotel Business.” Revenue from these businesses is reported according to the contracts with customers, and information on the performance obligations of each business, method of determining transaction prices, and the timing of recognition of revenue are shown in “Notes to Consolidated Financial Statements 22. Sales Revenue.”

2) Operating lease of rental properties

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

3) Interest income

Interest income is recognized using the effective interest method.

4) Dividend income

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

(16) Borrowing costs

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

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

(17) Derivatives and hedges

Derivatives are initially recognized at fair value on the day when the derivative contract is entered into, and subsequently remeasured at fair value at each reporting date.

The Group has concluded interest rate swap contracts in order to hedge changes in future cash flows associated with floating-rate borrowings. At the inception of the hedge, concluded derivatives are designated as cash flow hedge and documented.

The Group also assesses whether a derivative used in the hedge transaction is highly effective in offsetting fair value of the hedged item or changes in cash flows, at the inception of the hedge or on an ongoing basis.

Changes in fair value of derivative transactions that are designated as cash flow hedge and qualify for cash flow hedge are recognized in equity through other comprehensive income. Of changes in fair value of derivative transactions, ineffective portion is immediately recognized in profit or loss.

(18) Income tax expense

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

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

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

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

(19) Earnings per share

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

(20) Segment information

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

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

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

(21) Share-based compensation

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

4. Significant accounting estimates and judgments requiring estimates

The preparation of the consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. However, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change affects.

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

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

(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 November 30, 2022. It predicts that the impact of COVID-19 on hotels and commercial facilities will persist for the time being, and that it will gradually recover toward November 30, 2023.

5. New standards not yet applied

Among new or revised standards and interpretations issued by the date of approval of the consolidated financial statements, the following is the main standard which has not been early adopted by the Tosei Group.

The impact of the adoption of the new IFRS on the Tosei Group is under consideration.

Standards	Name of Standards	Mandatory effective date (Fiscal year beginning on or after)	Application date of the Group	Overview of new and revised standards
IAS12	Income taxes	January 1, 2023	Fiscal year ending November 30, 2024	Clarifying accounting treatment for deferred taxes on leases and decommissioning obligations

6. Segment information

(1) Summary of reportable segments

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

During the fiscal year under review, 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 the fiscal year ended November 30, 2021 is also provided based on the changed segment name.

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

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

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

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

Fiscal year ended November 30, 2021
(December 1, 2020 – November 30, 2021)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	33,587,081	11,962,680	5,466,444	4,934,862	5,219,864	555,515	—	61,726,449
Intersegment revenue	—	—	101,437	21,777	1,393,493	311	(1,517,019)	—
Total	33,587,081	11,962,680	5,567,882	4,956,639	6,613,357	555,827	(1,517,019)	61,726,449
Segment profit or loss	7,203,842	1,060,672	2,700,008	3,137,608	672,722	(838,825)	(2,970,416)	10,965,612
Finance income/costs, net								(662,995)
Profit before tax								10,302,616
Other items								
Depreciation expense	5,759	8,043	534,163	13,848	41,950	481,644	406,677	1,492,087

Notes: 1. The details of adjustment are as follows:

(1) Adjustment of segment profit of ¥(2,970,416) thousand includes eliminations of intersegment transactions of ¥(29,586) thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(2,940,829) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.

(2) Adjustment of depreciation of ¥406,677 thousand consists of corporate expenses that are not attributable to any particular reportable segment.

2. Segment profit is adjusted to operating profit in the consolidated statements of comprehensive income.

Fiscal year ended November 30, 2022
(December 1, 2021 – November 30, 2022)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	37,477,067	13,792,758	6,083,791	5,444,022	6,228,354	1,927,490	—	70,953,486
Intersegment revenue	—	—	156,392	16,828	1,318,360	8,960	(1,500,542)	—
Total	37,477,067	13,792,758	6,240,184	5,460,850	7,546,715	1,936,451	(1,500,542)	70,953,486
Segment profit or loss	6,102,196	2,958,398	3,041,742	3,218,183	878,838	(315,817)	(2,369,338)	13,514,203
Finance income/costs, net								(760,664)
Profit before tax								12,753,538
Other items								
Depreciation expense	147,948	55,853	585,705	47,490	33,677	518,712	199,838	1,589,224

Notes: 1. The details of adjustment are as follows:

(1) Adjustment of segment profit of ¥(2,369,338) thousand includes eliminations of intersegment transactions of ¥406 thousand and corporate expenses that are not allocated to any particular reportable segment of ¥(2,369,745) thousand. Corporate expenses mainly consist of selling, general and administrative expenses of the parent that are not attributable to any particular reportable segment.

(2) Adjustment of depreciation of ¥199,838 thousand consists of corporate expenses that are not attributable to any particular reportable segment.

2. Segment profit is adjusted to operating profit in the consolidated statements of comprehensive income.

(3) Income from principal products and services

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

(4) Information by geographical area

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

(5) Information on major customers

Fiscal year ended November 30, 2021
(December 1, 2020 – November 30, 2021)

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	3,923,983	Revitalization Business, Fund and Consulting Business, Property Management Business

Fiscal year ended November 30, 2022
(December 1, 2021 – November 30, 2022)

(¥ thousand)

Name	Net sales	Related segment
Tosei Reit Investment Corporation	6,914,887	Revitalization Business, Fund and Consulting Business, Property Management Business

7. Cash and cash equivalents

Components of cash and cash equivalents are as follows:

(¥ thousand)

	As of November 30,2021	As of November 30,2022
Cash and deposits	33,560,679	31,767,008
Total	33,560,679	31,767,008

8. Other financial assets

Components of other financial assets are as follows:

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Shares	96,711	91,339
Investment trust beneficiary certificate	3,927,951	6,964,423
Investments in investment limited partnerships	363,183	—
Other	123,954	164,201
Total	4,511,800	7,219,963
Non-current assets	4,511,800	7,219,963

9. Trade and other receivables

Components of trade and other receivables are as follows:

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Accounts receivable	1,535,199	1,831,472
Short-term loans receivable	5,531	8,051
Other accounts receivable	1,245,084	5,929,606
Prepaid expenses	404,955	467,969
Current advances to suppliers	416,539	975,502
Long-term loans receivable	19,885	40,836
Deposits and guarantee money	1,189,055	1,115,425
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,975	2,994
Other	834,245	1,128,765
Allowance for credit losses	(4,781)	(4,681)
Total	5,648,691	11,495,941
Current assets	4,139,380	10,038,132
Non-current assets	1,509,310	1,457,809

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

10. Inventories

Components of inventories (related to the Revitalization Business and the Development Business) are as follows:

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Real estate for sale	61,598,132	74,267,531
Real estate for sale in process	23,612,717	21,036,231
Total	85,210,849	95,303,762
Inventories scheduled to be sold after 12 months	51,465,572	58,634,406

Inventories recognized as expenses in the previous fiscal year and the fiscal year under review were ¥34,735,401 thousand and ¥38,592,368 thousand, respectively.

Inventories recorded at fair value net of selling expenses at the end of the previous fiscal year and the fiscal year under review were ¥6,705,217 thousand and ¥3,670,589 thousand, respectively.

Of the Group’s inventory balance, ¥81,484,310 thousand and ¥89,623,916 thousand were pledged as collateral on borrowings and corporate bonds as of November 30, 2021 and 2022, respectively.

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

Borrowing costs capitalized in the previous fiscal year and the fiscal year under review were ¥154,006 thousand and ¥188,992 thousand, respectively.

Information on the nature of significant accounting estimates for identified items

(1) Calculation method

Real estate for sale and real estate for sale in progress are assessed at the lower of cost or net realizable value. Net realizable value is calculated for each individual property by deducting costs to sell from the estimated selling price. If the net realizable value is less than the cost, the cost is reduced to the net realizable value and the difference is recognized as a loss on valuation of inventories in the cost of revenue. In addition, when it is evident that the net realizable value has recovered due to changes in economic conditions and other factors, the loss on valuation of inventories is reversed accordingly, up to the acquisition cost.

(2) Key assumptions

In calculating the net realizable value of properties for investors, assumptions such as rent, vacancy rate, and rental expenses are determined by comprehensively taking into account market trends, transaction cases of similar properties, past performance, and other factors. The discount rate is determined based on similar transactions, interest rate trends, etc. In addition, real estate appraisals are obtained as necessary.
For build-for-sale detached houses, assumptions are determined based on the most recent sales results, market trends, and other factors.
In making accounting estimates, the Group estimates selling prices of real estate for sale and real estate for sale in progress as well as development costs, such as value-up activities and construction costs, which are the basis for calculating their net realizable value, for each individual property. In the course of long-term real estate development and sales activities, these components of estimates have been greatly affected by fluctuations in the economic environment and interest rates, competitive conditions in the real estate market, external factors in real estate development, the impact of COVID-19, and other factors.

(3) Effect on the consolidated financial statements for the fiscal year ending November 30, 2023

Key assumptions are determined based on the best estimates available at the time of preparation of the consolidated financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of net realizable value.

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Loss on valuation	(156,585)	(502,997)
Reversal of loss on valuation	1,692,173	1,079,131

11. Other assets

Components of other assets are as follows:

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Raw materials	1,935	1,737
Supplies	18,217	20,902
Membership	13,254	13,254
Other	26,750	－
Total	60,157	35,894

Current assets	46,903	22,640
Non-current assets	13,254	13,254

12. Property, plant and equipment

(1) List of increase and Decrease

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

(¥ thousand)

	Buildings and structures	Land	Other	Total
Acquisition cost				
Balance as of December 1, 2020	13,101,399	11,228,544	948,245	25,278,189
Acquisition	635,535	2,425	833,198	1,471,159
Acquisition due to business combination	82,794	31,895	539,691	654,381
Sales or disposal	(151,095)	－	(165,020)	(316,116)
Transfer	87,388	(949,993)	(211,049)	(1,073,655)
Balance as of November 30, 2021	13,756,022	10,312,872	1,945,064	26,013,959
Acquisition	73,527	2,425	133,204	209,157
Sales or disposal	(28,940)	－	(191,483)	(220,424)
Transfer	－	－	(14,395)	(14,395)
Balance as of November 30, 2022	13,800,609	10,315,298	1,872,390	25,988,297
Accumulated depreciation and impairment loss				
Balance as of December 1, 2020	1,482,726	－	300,334	1,783,060
Depreciation expense	661,688	－	247,088	908,777
Acquisition due to business combination	35,141	－	50,467	85,608
Sales or disposal	(147,088)	－	(157,996)	(305,085)
Transfer	(316,627)	－	(2,010)	(318,638)
Balance as of November 30, 2021	1,715,841	－	437,881	2,153,722
Depreciation expense	605,928	－	372,174	978,102
Sales or disposal	(2,258)	－	(91,281)	(93,539)
Transfer	－	－	(13,345)	(13,345)
Balance as of November 30, 2022	2,319,511	－	705,429	3,024,940
Book value				
As of December 1, 2020	11,618,673	11,228,544	647,910	23,495,129
As of November 30, 2021	12,040,180	10,312,872	1,507,183	23,860,236
As of November 30, 2022	11,481,098	10,315,298	1,166,960	22,963,356

The book value of Right-of-use assets as of November 30, 2021 and 2022 were ¥772,272 thousand and ¥611,140 thousand.

Transfer for the fiscal year ended November 30, 2021 comprises transfers to investment properties and transfers from inventories. In addition, the transfer for the fiscal year under review and “Others” as of November 30, 2021 include construction in progress of ¥(215,700) thousand and ¥1,150 thousand, respectively.

The transfer for the fiscal year under review and “Others” as of November 30, 2022 include construction in progress of ¥(1,150) thousand and ¥6,385 thousand, respectively.

Of the balance of the Group’s property, plant and equipment as of November 30, 2021 and 2022, ¥22,055,561 thousand and ¥21,485,468 thousand were pledged as collateral on borrowings, respectively.

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

(2) Information on the nature of significant accounting estimates for identified items

1) Calculation method

The Group assesses whether there is any indication that an asset or asset group may be impaired, and if any such indication exists, estimates the recoverable amount of the cash-generating unit. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and the amount of reduction is recognized as an impairment loss.

2) Key assumptions

In calculating future cash flows for hotels, assumptions such as occupancy rates and average room rates are determined by comprehensively taking into account market trends, past performance, and other factors. The discount rate used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The fair value after deducting the costs of disposal is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals, published land prices, and other data. The recoverable amount is measured by the greater of value in use based on estimated future cash flows and a discount rate, or fair value less costs of disposal. Key assumptions made in the business plan are the future occupancy rates, average room rates and discount rates in the Hotel Business, which are the basis for the future cash flows. The future cash flows were estimated based on the assumption that the business will gradually recover toward November 30, 2023 from the effects of COVID-19.
In calculating future cash flows for properties other than hotels, assumptions such as rent, vacancy rate, and rental expenses are determined by comprehensively taking into account market trends, transaction cases of similar properties, past performance, and other factors. The discount rate used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The fair value after deducting the costs of disposal is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals, published land prices, and other data.

3) Effect on the consolidated financial statements for the fiscal year ending November 30, 2023

Key assumptions are determined based on the best estimates available at the time of preparation of the consolidated financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of fair value less costs of disposal or value in use.

(3) Impairment losses on property, plant and equipment

Details of impairment testing for the previous fiscal year and fiscal year under review are as follows.
The Hotel Business reported a negative value in its operating profit/loss as a result of a decline in the occupancy rate of hotels mainly due to the spread of COVID-19, and the Company recognized signs of impairment in the cash-generating unit (CGU) holding ¥14,060,353 thousand and ¥13,473,514 thousand in property, plant and equipment of the Hotel Business as of November 30, 2021 and 2022 respectively.

13. Investment properties

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Acquisition cost		
Balance at beginning of period	29,176,837	42,650,206
Acquisition	12,143,639	3,248,973
Transfer	1,329,729	(2,772,985)
Balance at end of period	42,650,206	43,126,194
Accumulated depreciation and impairment loss		
Balance at beginning of period	2,189,450	2,838,136
Depreciation expense	530,879	551,340
Transfer	117,807	(127,541)
Balance at end of period	2,838,136	3,261,935
Book value at end of period	39,812,070	39,864,258

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

Transfers for the fiscal year ended November 30, 2021, was mainly transfers to inventories and transfers from property, plant and equipment. In addition, the transfer for the fiscal year ended November 30, 2022, was transfer to inventories.

Of the balance of the Group’s investment properties as of November 30, 2021 and 2022, ¥33,812,135 thousand and ¥34,025,422 thousand were pledged as collateral on borrowings, respectively.

(2) Fair value

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Fair value	66,683,140	75,206,426
Rent income from investment properties	2,876,477	3,185,256
Direct expenses incidental to rent income	1,478,672	1,666,377

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

Fair value hierarchy of investment properties is classified as Level 3 because it including inputs that are not based on observable.

(3) Information on the nature of significant accounting estimates for identified items

1) Calculation method

The Group assesses whether there is any indication that an asset or asset group may be impaired, and if any such indication exists, estimates the recoverable amount of the cash-generating unit. Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount, and the amount of reduction is recognized as an impairment loss.

2) Key assumptions

In calculating future cash flows, assumptions such as occupancy rates and average room rates are determined by comprehensively taking into account market trends, past performance, and other factors. The discount rate used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The fair value after deducting the costs of disposal is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals,published land prices, and other data.

3) Effect on the consolidated financial statements for the fiscal year ending November 30, 2023

Key assumptions are determined based on the best estimates available at the time of preparation of the consolidated financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of fair value less costs of disposal or value in use.

（4） Impairment loss of investment properties

None

14. Goodwill and Intangible assets

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

(¥ thousand)

	Goodwill	Software	Software in progress	Other	Total
Acquisition cost					
Balance as of December 1, 2020	－	266,759	2,550	1,889	271,198
Acquisition	－	39,643	－	－	39,643
Acquisition due to business combination	1,401,740	1,712	－	－	1,403,453
Sales or disposal	－	(36,330)	－	－	(36,330)
Transfer	－	(600)	(2,550)	－	(3,150)
Balance as of November 30, 2021	1,401,740	271,184	－	1,889	1,674,814
Acquisition	－	47,816	1,750	31,000	80,566
Sales or disposal	－	(300)	－	－	(300)
Transfer	－	(14,951)	－	－	(14,951)
Balance as of November 30, 2022	1,401,740	303,749	1,750	32,889	1,740,129
Accumulated amortization and accumulated impairment loss					
Balance as of December 1, 2020	－	61,534	－	－	61,534
Amortization expense	－	53,423	－	－	53,423
Sales or disposal	－	(33,643)	－	－	(33,643)
Balance as of November 30, 2021	－	81,315	－	－	81,315
Amortization expense	－	57,408	－	9,496	66,904
Sales or disposal	－	(235)	－	－	(235)
Transfer	－	(14,951)	－	－	(14,951)
Balance as of November 30, 2022	－	123,537	－	9,496	133,033
Book value					
As of December 1, 2020	－	205,224	2,550	1,889	209,663
As of November 30, 2021	1,401,740	189,869	－	1,889	1,593,499
As of November 30, 2022	1,401,740	180,211	1,750	23,393	1,607,095

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

In the year ended November 30, 2022, the amounts of "acquisition costs" and "carrying amount" of goodwill for the year ended November 30, 2021 were retroactively adjusted due to a revision of the provisionally measured fair value of the assets acquired and liabilities assumed associated with the business combinations. Details of the retroactive adjustments are described in "Business combinations" (Note 37).

15. Deferred taxes and income tax expense

(1) Deferred taxes

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

Fiscal year ended November 30, 2021 (December 1, 2020 – November 30, 2021)

(¥ thousand)

	As of December 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Others	As of November 30, 2021
Deferred tax assets					
Accrued enterprise taxes, currently not deductible	94,888	69,386	—	34,859	199,134
Estimated expenses, currently not deductible	895	(850)	—	—	45
Loss on valuation of inventories	216,696	(127,072)	—	42,211	131,835
Unrealized gain from substitute performance	147,998	—	—	—	147,998
Provision for bonuses	183,657	52,406	—	9,858	245,921
Liability for retirement benefits to employees	187,595	(7,087)	—	13,720	194,228
Liability for retirement benefits to key management personnel	6,720	6,061	—	—	12,782
Long-term accounts payable-other for directors	96,229	(414)	—	—	95,814
Carry-forward of unused tax losses	588,605	200,406	—	17,206	806,218
Valuation difference on other financial assets	90,556	—	(90,556)	—	—
Others	119,571	2,181	(5,421)	105,448	221,779
Subtotal	1,733,415	195,017	(95,978)	223,304	2,055,759
Valuation reserves	(608,827)	(232,452)	—	—	(841,280)
Total	1,124,587	(37,434)	(95,978)	223,304	1,214,479
Deferred tax liabilities					
Valuation difference on other financial assets	—	—	(87,719)	—	(87,719)
Reserve for tax purpose reduction entry of non-current assets	(679,277)	—	—	—	(679,277)
Revaluation of fair value arising from assets and liabilities of subsidiaries	(405,115)	34,591	—	3,719	(366,804)
Total	(1,084,393)	34,591	(87,719)	3,719	(1,133,801)
Deferred tax assets (liabilities), net	40,194	(2,842)	(183,697)	227,023	80,677

Fiscal year ended November 30, 2022 (December 1, 2021 – November 30, 2022)

(¥ thousand)

	As of December 1, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Others	As of November 30, 2022
Deferred tax assets					
Accrued enterprise taxes, currently not deductible	199,134	30,917	—	(10,536)	219,516
Estimated expenses, currently not deductible	45	(45)	—	—	—
Loss on valuation of inventories	131,835	(131,835)	—	—	—
Unrealized gain from substitute performance	147,998	—	—	—	147,998
Provision for bonuses	245,921	80,437	—	—	326,359
Liability for retirement benefits to employees	194,228	12,246	5,551	—	212,026
Liability for retirement benefits to key management personnel	12,782	(1,153)	—	—	11,628
Long-term accounts payable-other for directors	95,814	(3,134)	—	—	92,680
Carry-forward of unused tax losses	806,218	(95,604)	—	20,206	730,820
Others	221,779	2,531	(18,920)	—	205,391
Subtotal	2,055,759	(105,639)	(13,368)	9,669	1,946,420
Valuation reserves	(841,280)	22,511	—	—	(818,768)
Total	1,214,479	(83,128)	(13,368)	9,669	1,127,651
Deferred tax liabilities					
Valuation difference on other financial assets	(87,719)	—	(45,158)	—	(132,877)
Reserve for tax purpose reduction entry of non-current assets	(679,277)	—	—	—	(679,277)
Revaluation of fair value arising from assets and liabilities of subsidiaries	(366,804)	442,663	—	(391,672)	(315,813)
Profit on valuation of inventories	—	(69,624)	—	—	(69,624)
Others	—	(19,519)	—	—	(19,519)
Total	(1,133,801)	353,519	(45,158)	(391,672)	(1,217,113)
Deferred tax assets (liabilities), net	80,677	270,390	(58,527)	(382,003)	(89,462)

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

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

(¥ thousand)

	As of November 30, 2021	As of November 30,2022
Deductible temporary differences	137,223	134,859
Carry-forward of unused tax losses	704,056	683,909
Total	841,280	818,768

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
First year	57,930	56,606
Second year	56,606	79,118
Third year	89,339	50,411
Fourth year	64,016	51,830
Fifth year or after	1,823,645	1,798,690
Total	2,091,539	2,036,657

For taxable temporary differences associated with investments in subsidiaries, as the Company may control their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period, deferred tax liabilities are not recognized. Such taxable temporary differences were ¥8,994,518 thousand and ¥9,706,397 thousand as of November 30, 2021 and 2022, respectively.

(2) Income tax expense

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

Components of current and deferred tax expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Current tax expense		
Current tax expense on profit for the year	3,565,299	4,420,357
Total current tax expense	3,565,299	4,420,357
Deferred tax expense		
Origination and reversal of temporary differences	13,618	(273,906)
Total deferred tax expense	13,618	(273,906)
Income tax expense	3,578,917	4,146,450

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

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

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Profit before tax	10,302,616	12,753,538
Income tax expense based on the statutory effective tax rate	3,154,661	3,905,133
Adjustments		
Expenses (profits) not deductible permanently	26,122	54,345
Changes in temporary differences, etc. for which deferred tax assets were not recognized	305,502	(95,745)
Differences in tax rates of subsidiary companies	144,887	274,157
Others	(52,255)	8,559
Income tax expense	3,578,917	4,146,450

16. Trade and other payables

Components of trade and other payables are as follows:

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Trade notes and accounts payable	1,472,339	1,452,775
Other accounts payable	1,249,643	1,521,491
Advances received	1,069,240	1,187,749
Guarantee deposits	3,601,123	3,306,370
Others	1,957,248	1,825,858
Total	9,349,595	9,294,245

Current liabilities	4,976,342	5,681,615
Non-current liabilities	4,373,252	3,612,629

17. Interest-bearing debt

Components of Interest-bearing debt are as follows:

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022	Average interest rate (%)	Repayment due
Current liabilities				
Current borrowings	2,452,500	5,509,146	1.56	―
Current portion of non-current borrowings	8,530,027	7,765,588	1.15	―
Current portion of non-current corporate bonds	66,356	36,356	0.21	―
Lease obligations	383,758	428,234	1.10	―
Total	11,432,641	13,739,325		
Non-current liabilities				
Non-current borrowings	102,121,749	110,148,913	1.06	2023～2057
Corporate bonds	312,542	276,186	0.14	2023～2047
Lease obligations	1,087,632	683,120	1.10	2023～2028
Total	103,521,924	111,108,220		

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

2. Borrowings and corporate bonds at the end of the previous fiscal year and the fiscal year under review include secured debts of ¥112,750,374 thousand and ¥118,911,154 thousand, respectively. Some of inventories, Property, plant and equipment and investment properties have been pledged as collateral.

3. A summary of the terms and conditions of the issuance of bonds is as follows.

(¥ thousand)

Name	Issue date	As of November 30, 2021	As of November 30, 2022	Interest date (%)	Collateral	Maturity date
Princess Square Co., Ltd.						
12th series unsecured bonds with early redemption clause	March 31, 2017	288,898	277,542	0.14	Yes	March 29, 2047
3rd series unsecured bonds	March 26, 2018	15,000	5,000	0.25	No	March 24, 2023
4th series unsecured bonds	December 6, 2018	50,000	30,000	0.24	No	December 6, 2023

18. Provisions

Components and changes of provisions are as follows:

Fiscal year ended November 30, 2021 (December 1, 2020 – November 30, 2021)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Provision for warranties for completed construction	Total
Balance as of December 1, 2020	554,282	45,632	7,129	350	607,394
Increase during the fiscal year	731,653	56,713	7,993	—	796,360
Decrease during the fiscal year (specific purposes)	(554,282)	(44,519)	—	(350)	(599,152)
Decrease during the fiscal year (reversal)	—	(1,112)	—	—	(1,112)
Discounted interest costs	—	—	161	—	161
Balance as of November 30, 2021	731,653	56,713	15,284	—	803,651

Fiscal year ended November 30, 2022 (December 1, 2021 – November 30, 2022)

(¥ thousand)

	Provision for bonuses	Accrued compensated absences payable	Asset retirement obligations	Provision for loss on rental business	Total
Balance as of December 1, 2021	731,653	56,713	15,284	—	803,651
Increase during the fiscal year	986,624	74,710	—	18,634	1,079,970
Decrease during the fiscal year (specific purposes)	(731,653)	(56,713)	—	—	(788,366)
Decrease during the fiscal year (reversal)	—	—	—	—	—
Discounted interest costs	—	—	165	—	165
Balance as of November 30, 2022	986,624	74,710	15,449	18,634	1,095,419

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Current liabilities	788,366	1,079,970
Non-current liabilities	15,284	15,449

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

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

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

19. Employee benefits

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Liability for retirement benefits to employees	609,561	670,650
Liability for retirement benefits to key management personnel	36,953	33,617
Total	646,515	704,268

(1) Retirement benefits for employees

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

1) Defined benefit plans

Components of Liability for retirement benefits to employees

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Defined benefit obligations (with no plan assets)	609,561	670,650
Defined benefit obligations in the consolidated statement of financial position	609,561	670,650

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Current service costs	71,083	74,166
Interest costs	2,684	2,187
Total retirement benefit costs (Note)	73,767	76,353

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

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Balance at beginning of period	517,405	609,561
Current service costs	71,083	74,166
Interest costs	2,684	2,187
Benefits paid	(48,330)	(32,496)
Actuarial gains and losses arising from changes in financial assumptions	27,053	17,231
Increase due to business combination	39,666	—
Balance at end of period	609,561	670,650

The weighted average term for the Group's defined benefit obligations in the previous fiscal year and the fiscal year under review is 9.6 years and 9.4 years, respectively.

Major assumptions used in actuarial calculation are as follows:

(%)

	As of November 30, 2021	As of November 30, 2022
Discount rate	0.38	0.78
Rate of salary increase	4.11	3.89

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

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
0.5% increase in the discount rate	(25,482)	(27,974)
0.5% decrease in the discount rate	27,435	29,062

2) Defined contribution plans

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Contributions	43,191	54,823

(2) Retirement benefits to key management personnel

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Balance at beginning of period	29,015	36,953
Provision for the benefits	7,938	7,764
Payment of the benefits	–	(11,100)
Balance at end of period	36,953	33,617

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

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

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

20. Equity and other components of equity

(1) Share capital and capital reserves

	Total number of shares authorized (shares)	Total number of shares issued (shares)	Share capital (¥ thousand)	Capital reserves (¥ thousand)
Balance as of December 1, 2020	150,000,000	48,683,800	6,624,890	6,627,004
Change	–	–	–	163,167
Balance as of November 30, 2021	150,000,000	48,683,800	6,624,890	6,790,172
Change		–	–	(14,640)
Balance as of November 30, 2022	150,000,000	48,683,800	6,624,890	6,775,532

Notes: 1. Shares issued by the Company are ordinary shares without par value.
2. Issued shares are fully paid up.
3. Capital reserves are mainly consisted of legal capital surplus.
4. The increase in capital reserves previous consolidated fiscal year is mainly due to the disposal of treasury shares through a third-party allotment.
The decrease in capital reserves during the current fiscal year is mainly due to the exercise of stock options.

(2) Treasury shares

	Number of shares (shares)	Treasury shares (¥ thousand)
Balance as of December 1, 2020	1,508,353	(1,500,055)
Change	(608,331)	588,393
Balance as of November 30, 2021	900,022	(911,662)
Change	524,100	(622,007)
Balance as of November 30, 2022	1,424,122	(1,533,670)

Notes:1. The increase during the previous period is mainly due to purchase of shares under the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Companies Act. The Company has resolved and implemented the resolution at the Board of Directors' Meeting held on January 25, 2021. And the decrease during the previous period is mainly due to the disposal of treasury shares through a third-party allotment.
2. The increase during the current period is mainly due to purchase of shares under the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Companies Act. The Company has resolved and implemented the resolution at the Board of Directors' Meeting held on January 12, 2022 and on July 5, 2022. The decrease during the current fiscal year is mainly due to the disposal of treasury shares upon exercise of stock options.

(3) Capital reserves

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

(4) Retained earnings

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

(5) Other components of equity

Fiscal year ended November 30, 2021 (December. 1, 2020 – November 30, 2021)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in financial assets measured at fair values through other comprehensive income	Net change in fair values of cash flow hedges	Remeasurements of defined benefit pension plans	Total
Balance as of December 1, 2020	(4,334)	(205,187)	(15,165)	—	(224,688)
Other comprehensive income	13,827	405,964	11,884	(18,615)	413,061
Transfer from Other components of equity to Retained earnings	—	(2,018)	—	18,615	16,596
Balance as of November 30, 2021	9,493	198,757	(3,281)	—	204,969

Fiscal year ended November 30, 2022 (December. 1, 2021 – November 30, 2022)

(¥ thousand)

	Exchange differences on translation of foreign operations	Net change in financial assets measured at fair values through other comprehensive income	Net change in fair values of cash flow hedges	Remeasurements of defined benefit pension plans	Total
Balance as of December 1, 2021	9,493	198,757	(3,281)	—	204,969
Other comprehensive income	38,663	105,128	45,168	(11,680)	177,279
Transfer from Other components of equity to Retained earnings	—	—	—	11,680	11,680
Balance as of November 30, 2022	48,156	303,885	41,887	—	393,929

1) Exchange differences on translation of foreign operations

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

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

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

3) Net change in fair values of cash flow hedges

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

4) Remeasurements of defined benefit pension plans

This is the remeasurement amounts arising difference from defined benefit pension plans.

21. Dividends

(1) Dividends paid

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

Fiscal year ended November 30, 2022 (December 1, 2021 – November 30, 2022)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 25, 2022	38	1,815,783	Nov. 30, 2021	Feb. 28, 2022

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

Fiscal year ended November 30, 2022 (December 1, 2021 – November 30, 2022)				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on Feb. 24, 2023	51	2,410,243	Nov. 30, 2022	Feb. 27, 2023

22. Sales Revenue

(1) Components of revenue are as follows:

The Group engages in six major businesses consisting of the Revitalization Business, the Development Business, the Rental Business, the Fund and Consulting Business, the Property Management Business, and the Hotel Business. Revenue generated from these businesses is recorded in accordance with contracts with customers, and the promised amount of consideration does not contain significant financing components.

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

(Fiscal year ended November 30, 2021 (December. 1, 2020 – November 30, 2021)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	33,587,081	11,908,828	—	—	—	—	45,495,909
Revenue from services	—	53,852	582,161	4,916,460	5,219,864	448,447	11,220,785
Revenue recognized from other sources	—	—	4,884,283	18,402	—	107,068	5,009,754
Total	33,587,081	11,962,680	5,466,444	4,934,862	5,219,864	555,515	61,726,449

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

(Fiscal year ended November 30, 2022 (December. 1, 2021 – November 30, 2022)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	37,477,067	13,776,235	—	—	—	—	51,253,303
Revenue from services	—	16,523	615,365	5,442,529	6,228,354	1,817,405	14,120,178
Revenue recognized from other sources	—	—	5,468,426	1,493	—	110,085	5,580,005
Total	37,477,067	13,792,758	6,083,791	5,444,022	6,228,354	1,927,490	70,953,486

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

(Revitalization Business)

This business acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value through “value-up plans” judged to best match the characteristics of the properties’ areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. With regard to sale of properties, the Group is obliged to transfer a property to a customer based on a property sale and purchase contract with the customer, etc. Such performance obligation is satisfied at a point in time when the property is transferred, and revenue is recognized at the time of property transfer. The transaction price is determined based on the property sale and purchase contract, etc. A portion of the selling price is received as a deposit at the time the contract is concluded, and the remaining amount is received at the time the property is transferred.

(Development Business)

In this business, the Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Group carries out development and new construction to maximize the value of the land, and sells whole buildings or individual units. The performance obligations of the business and the timing of fulfillment thereof, the method of determining transaction price, the timing of revenue recognition, etc. are the same as those of the Revitalization Business.

(Rental Business)

In this business, the Group rents its own office buildings, condominiums, stores and parking lots to end-users and others primarily in the main districts of Tokyo. With regard to leasehold properties, the Group is obliged to make available electricity, gas, water, and other services based on a lease contract with a customer. The performance obligation is satisfied over a certain period of time during which the service is provided. Based on the measured amount of electricity, gas, water, and other services used by the customer, the Group recognizes as revenue the amount obtained by multiplying the measured amount of usage by the billing unit price. The Group receives payment for the previous month's usage at the end of the month.

(Fund and Consulting Business)

The Group provides asset management services for real estate funds, including the acquisition and disposal of trust beneficiary rights, etc., and management thereof during the holding period. Based on an asset management contract, the Group is obligated to provide services related to the acquisition and disposal of trust beneficiary rights, etc., and management thereof during the holding period. The obligation to provide services related to the acquisition and disposal of trust beneficiary rights, etc. is satisfied at a point in time when the services are completed, and revenue is recognized upon completion of services. The transaction price is determined based on the relevant contract and payment is received at the time of acquisition or disposal. On the other hand, the performance obligation for management services during the holding period is satisfied over a certain period of time during which the services are provided. Revenue in each fee calculation period is recognized in the amount obtained by multiplying the book value of trust beneficiary rights, etc. by a certain interest rate for the period. The transaction price is determined based on the relevant contract and payments are received on a quarterly basis.

(Property Management Business)

This business includes equipment management, cleaning, and security for real estate properties, tenant management, and tenant solicitation. Based on a property management contract, the Group is obligated to provide services such as equipment management and cleaning. This performance obligation is satisfied over a certain period of time. Property management reports are obtained by a specified date each month, and the amount based on the contract is recognized as revenue. The transaction price is determined based on the contract and payment for the month is received at the end of the following month.

(Hotel Business)

The Group is engaged in planning, operation, etc.of its own hotels mainly in the Tokyo metropolitan area. The Group is obligated to provide hotel accommodation services based on accommodation terms and conditions. The performance obligation is satisfied at a point in time when the service is completed, and revenue is recognized upon completion of service. The transaction price is determined based on the accommodation terms and conditions, hotel rates in the neighboring area, and other factors, and payment is received at the time of departure of the guest or upon requested by the hotel.

(2) Performance obligations

The usual timing, etc. of the Tosei Group's fulfillment of performance obligations is as stated in above "(1)".

(3) Contract balance

(¥ thousand)

	As of Dec. 1, 2020	As of Nov. 30, 2021	As of Nov. 30, 2022
Receivables arising from contracts with customers	1,415,283	1,535,199	1,831,472
Contractual liabilities	2,233,182	1,069,240	1,187,749

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

2: Contract liabilities are mainly related to advances received from customers. Of the income recognized in the previous fiscal year, ¥2,224,529 thousand was included in the balance of contract liabilities as of December 1, 2020. And of the income recognized in the fiscal year under review, ¥1,062,046 thousand was included in the balance of contract liabilities as of December 1, 2021.

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

The Group has no significant transactions where the expected duration of any individual contract exceeds one year and accordingly, description on information related to remaining performance obligations is omitted by applying the practical expedient. In addition, there is no significant amount of the consideration that arises from contracts with customers that is not included in the transaction price.

(5) Contract costs

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

23. Cost of revenue

Components of cost of revenue are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Cost of inventories sold	36,270,989	39,168,502
Depreciation expense	963,469	1,047,419
Gain or loss on valuation of inventories	(1,535,588)	(576,133)
Outsourcing costs and others	5,326,044	6,046,664
Total	41,024,914	45,686,452

24. Selling, general and administrative expenses

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Employee benefits expense	5,192,914	6,527,173
Sales expenses (Revitalization)	661,127	717,690
Sales expenses (Development)	422,185	708,932
Advertising expenses	193,510	241,758
Compensations	197,480	167,872
Commission fee	880,063	1,347,586
Taxes and dues	655,785	606,714
Transportation expenses	57,531	66,763
Communication expenses	86,895	100,196
Stationery expenses	51,981	48,375
Depreciation and amortization expense	528,618	541,804
Provision of allowance for credit losses	2,352	1,595
Other	848,170	1,030,549
Total	9,778,616	12,107,013

25. Personnel cost

Components of personnel cost are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Salaries, bonuses and allowances	4,213,080	5,337,577
Retirement benefit costs	139,548	140,818
Legal welfare expenses	576,326	746,049
Expenses for the share-based compensation	12,189	—
Other short-term employee benefits	251,769	302,727
Total	5,192,914	6,527,173

26. Other income

Components of other income are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Gain on sales of non-current assets	314	2,256
Gain on bargain purchase	—	250,366
Miscellaneous income	176,876	107,184
Total	177,190	359,807

27. Other expenses

Components of other expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Head office relocation cost	90,035	—
Miscellaneous losses	44,461	5,624
Total	134,496	5,624

28. Finance income/costs

Components of finance income/costs are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Interest income		
Financial assets measured at amortized cost	445	908
Dividends income		
Financial assets measured at fair value through other comprehensive income	249,116	376,711
Total finance income	249,562	377,620
Interest expenses (Note)		
Financial liabilities measured at amortized cost	912,557	1,138,284
Total finance costs	912,557	1,138,284

Note: Commission expense incurred from financial liabilities not measured by fair values that were charged to profit and loss in the fiscal years ended November 30, 2021 and 2022 were ¥79,301 thousand and ¥70,565 thousand, respectively.

29. Other comprehensive income

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

Fiscal year ended November 30, 2021 (December 1, 2020 – November 30, 2021)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Net change in financial assets measured at fair values through other comprehensive income	584,240	–	584,240	(178,276)	405,964
Remeasurements of defined benefit pension plans	(27,053)	–	(27,053)	8,438	(18,615)
Total items that will not be reclassified to net profit or loss	557,186	–	557,186	(169,838)	387,348
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	13,827	–	13,827	–	13,827
Net change in fair values of cash flow hedges	17,306	–	17,306	(5,421)	11,884
Total items that may be reclassified to net profit or loss	31,133	–	31,133	(5,421)	25,712
Total	588,320	–	588,320	(175,259)	413,061

Fiscal year ended November 30, 2022 (December 1, 2021 – November 30, 2022)

(¥ thousand)

	Amount arising during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to net profit or loss					
Net change in financial assets measured at fair values through other comprehensive income	151,525	–	151,525	(46,396)	105,128
Remeasurements of defined benefit pension plans	(17,231)	–	(17,231)	5,551	(11,680)
Total items that will not be reclassified to net profit or loss	134,293	–	134,293	(40,845)	93,447
Items that may be reclassified to net profit or loss					
Exchange differences on translation of foreign operations	38,663	–	38,663	–	38,663
Net change in fair values of cash flow hedges	64,088	–	64,088	(18,920)	45,168
Total items that may be reclassified to net profit or loss	102,752	–	102,752	(18,920)	83,832
Total	237,045	–	237,045	(59,765)	177,279

30. Earnings per share

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Profit attributable to owners of the parent (¥ thousand)	6,721,305	8,607,088
Net income used to figure diluted net income per share (¥ thousand)	6,721,305	8,607,088
Weighted average number of outstanding ordinary shares (shares)	47,145,722	47,381,024
The number of increased ordinary shares used to figure diluted earnings per share (shares)	64,770	84,254
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,210,492	47,465,278
Basic earnings per share (¥)	142.56	181.66
Diluted net income per share (¥)	142.37	181.33

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

31. Financial instruments

(1) Capital control

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

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

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Cash and cash equivalents	33,560,679	31,767,008
Interest-bearing debt	114,954,565	124,847,546
Equity	65,958,740	72,290,677

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

(2) Risk management

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

(3) Exchange risks

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

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

(4) Interest rate risks

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

Interest rate sensitivity analysis

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Impact on profit before tax	(1,090,468)	(1,075,818)

(5) Credit risks

Financial assets included in trade and other receivables are exposed to credit risks of customers. With respect to these risks, the due dates and outstanding balances are managed for each business partner. Past due receivables are periodically reported to the management meeting and individually monitored and responded to.

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

Fiscal year ended November 30, 2021

Quantitative and qualitative information on the amount of expected credit losses

1) Age analysis of financial assets

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

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Within due date	3,967,704	—	—	3,967,704
Within 3 months' past due	61,012	—	—	61,012
Over 3 months and within 1 years' past due	4,133	119	—	4,252
Over 1 years' past due	322	671	2,975	3,968
Total	4,033,172	791	2,975	4,036,938

2) Changes in allowance for credit losses

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

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Balance at December 1, 2020	561	491	4,199	5,252
New occurrence or collection during the fiscal year	259	395	1,399	2,055
Decrease due to reverse	(35)	—	—	(35)
Decrease due to intended use	—	—	(3,115)	(3,115)
Transferred to credit-impaired financial assets	—	(491)	491	—
Other	624	—	—	624
Balance at November 30, 2021	1,410	395	2,975	4,781

Fiscal year ended November 30, 2022

Quantitative and qualitative information on the amount of expected credit losses

1) Age analysis of financial assets

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

(¥ thousand)

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Within due date	8,946,851	—	—	8,946,851
Within 3 months' past due	29,276	—	—	29,276
Over 3 months and within 1 years' past due	465	—	—	465
Over 1 years' past due	—	2,398	2,994	5,392
Total	8,976,593	2,398	2,994	8,981,986

2) Changes in allowance for credit losses

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

	Financial assets for which the allowance for credit losses is calculated at an amount equal to 12 months of expected credit losses	Expected credit losses over the entire period		Total
		Financial assets for which the allowance for credit losses is always measured at an amount equal to expected credit losses over the entire period	Credit-impaired financial assets	
Balance at December 1, 2021	1,410	395	2,975	4,781
New occurrence or collection during the fiscal year	130	619	1,378	2,127
Decrease due to reverse	(532)	—	—	(532)
Decrease due to intended use	—	—	(1,694)	(1,694)
Transferred to credit-impaired financial assets	—	(335)	335	—
Balance at November 30, 2022	1,008	678	2,994	4,681

(6) Liquidity risks

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

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

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

(¥ thousand)

	Within 1 year	Over 1 year within 5 years	Over 5 years	Total
As of November 30, 2021				
Non-derivative financial liabilities				
Trade and other payables	4,976,342	4,234,962	125,340	9,336,645
Interest-bearing debt	11,432,641	62,659,880	40,862,043	114,954,565
Derivative financial liabilities				
Trade and other payables	—	12,950	—	12,950
As of November 30, 2022				
Non-derivative financial liabilities				
Trade and other payables	5,681,615	3,513,182	95,866	9,290,664
Interest-bearing debt	13,739,325	73,638,371	37,469,849	124,847,546
Derivative financial liabilities				
Trade and other payables	—	3,580	—	3,580

(7) Price risks

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

If the prices of the listed securities were to fluctuate by 10% as of November 30, 2021 and 2022, assuming all other variable factors including tax rates to be fixed, the impact of the fluctuation on total comprehensive income for the year and equity would be ¥281,952 thousand and ¥492,242 thousand, respectively.

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

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

1) Fair value by major issuers

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Tosei Reit Investment Corporation	3,927,951	6,964,423
Others	220,665	255,540
Total	4,148,616	7,219,963

2) Dividends income

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Related to investments held as of the end of the fiscal year	226,223	376,683
Investments derecognized during the fiscal year	32,643	28
Total	258,866	376,711

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

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Fair value	145,354	2,274
Accumulated gain or loss	2,018	—

(9) Fair value measurement

1) Fair values and book value

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

(¥ thousand)

	As of November 30, 2021		As of November 30, 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	31,767,008	31,767,008
Trade and other receivables	4,082,157	4,082,157	8,977,304	8,977,304
Financial assets measured at fair value through other comprehensive income				
Other financial assets	4,148,616	4,148,616	7,219,963	7,219,963
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	7,428,561	7,428,561
Interest-bearing liabilities	114,954,565	114,941,596	124,847,546	124,832,181

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.
Fair value hierarchy of non-current interest-bearing liabilities is classified as Level 2.

2) Fair value hierarchy

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

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

(¥ thousand)

	As of November 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value with the change in fair value recognized through other comprehensive income	4,023,462	40,420	84,734	4,148,616
Financial assets measured at fair value through profit or loss	—	—	363,183	363,183
Financial liabilities measured at fair value through other comprehensive income (derivative) (Note)	—	12,950	—	12,950

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

(¥ thousand)

	As of November 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value with the change in fair value recognized through other comprehensive income	7,054,562	40,317	125,083	7,219,963
Financial assets measured at fair value through other comprehensive income (derivative) (Note)	—	63,749	—	63,749
Financial liabilities measured at fair value through other comprehensive income (derivative) (Note)	—	3,580	—	3,580

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

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Balance at beginning of period	535,680	447,918
Acquisition	62,694	43,361
Comprehensive income		
Profit (loss) (Note 1)	35	(53)
Other comprehensive income (Note2)	(5,137)	(737)
Disposal	(145,354)	(365,405)
Balance at end of period	447,918	125,083

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

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

3) Evaluation Process

The fair values of financial instruments of Level 3 are measured in accordance with related internal policies. In measuring of fair values, the most appropriate method and input to reflect the characteristics and risk of financial instruments, are employed.

32. Leases

(1) Lessee

The Group rents buildings and structures.

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

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

(¥ thousand)

	buildings and structures	Others	Total
Balance at December 1, 2020	876,220	45,753	921,974
Increase of Right- of-use assets	90,883	10,330	101,213
Changes by business combinations	221,258	456,374	677,632
Depreciation	(226,041)	(37,043)	(263,084)
Balance at November 30, 2021	962,320	475,415	1,437,736
Increase of Right- of-use assets	142,214	9,110	151,324
Depreciation	(315,977)	(61,128)	(377,105)
Others	(87,096)	—	(87,096)
Balance at November 30, 2022	701,461	423,397	1,124,859

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

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

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

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Interest costs	8,462	6,981
Lease costs due to short-term lease exceptions	31,324	37,431
Lease costs due to small asset exceptions	28,168	37,593

3) Sub-lease Income

Sub-lease income for the fiscal year ended November 30, 2021 and 2022 were ¥255,449 thousand and ¥284,756 thousand.

4) Cash outflow of leasing

Cash outflow of leasing for the fiscal year ended November 30, 2021 and 2022 were ¥313,734 thousand and ¥507,180 thousand.

5) Maturity analysis of lease liabilities

Maturity analysis of lease liabilities are as follows.

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Due within 1 year	383,758	428,234
Due over 1 year through 5 years	1,014,925	682,320
Over 5 years	72,706	800
Total	1,471,390	1,111,355

(2) Lessor

The Group lends buildings and structures, land.

1) Income relating to operating leases

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Lease payments receivable	4,951,881	5,539,675
Variable lease payments receivable	39,470	38,835

2) Maturity analysis

Maturity analysis of operating leases are as follows.

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Due within 1 year	852,112	884,697
Due over 1 year through 2 years	628,554	656,219
Due over 2 years through 3 years	467,985	198,018
Due over 3 years through 4 years	139,251	89,715
Due over 4 years through 5 years	68,337	66,649
Over 5 years	138,463	80,104
Total	2,294,704	1,975,404

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Inventories	46,580,684	54,465,273
Property, plant and equipment		
Buildings and structures	154,092	191,513
Land	103,815	186,747
Investment properties	39,124,210	39,326,432

33. Related parties

(1) Transactions with related parties

The Group conducts transactions with key management personnel as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Trade and other receivables	30	―
Trade and other payables	1,252,712	793,128
Revenue	30	178
Selling, general and administrative expenses	9,421	10,000
Total	1,262,193	803,307

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

At the Ordinary General Meeting of Shareholders held on February 25, 2015, the Company resolved to make final payments of retirement benefits to retiring officers upon abolition of its Retirement Benefits Plan for Officers. The full amount of the Company's "Provision for directors' retirement benefits" has been reversed and an unpaid portion in final payments has been presented as included in "Trade and other payables" in non-current liabilities. The unpaid portion presented as included in "Trade and other payables" for the previous fiscal year and the fiscal year under review is ¥302,679 thousand and ¥302,679 thousand, respectively.

Of the balance of borrowings as of November 30, 2021, borrowings in the amount of ¥2,249,538 thousand by certain subsidiaries are guaranteed by Hirotoshi Deguchi, Director of Princess Square Co., Ltd. and Let's Creation Co., Ltd.

(2) Compensation for principal key management personnel

Compensation for principal key management personnel is as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Short-term employee benefits	467,779	591,921
Retirement benefits	7,938	7,764
Total	475,717	599,686

34. Structured entities

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

The balance of assets under our management for the unconsolidated structured entities in the fiscal year ended November 30, 2021 and the fiscal year ended November 30, 2022 is ¥1,420,867,449 thousand and ¥1,722,896,814 thousand, respectively, while fees received from these entities in the fiscal year ended November 30, 2021 and the fiscal year ended November 30, 2022 are ¥4,032,881 thousand and ¥4,687,830 thousand, respectively.

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

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Trade and other receivables	749,388	855,240
Other financial assets	479,237	156,192
Total	1,228,625	1,011,433

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

35. Share-based compensation

(1) Details of the share-based compensation system

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

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

Stock options under the Company's share-based compensation system are accounted for as equity-settled share-based compensation. Expenses for the equity-settled share-based compensation transactions for the fiscal year ended November 30, 2021 were ¥12,189 thousand.

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

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

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

Sixth Series of Stock Acquisition Rights

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Exercise price (¥)	1,006	1,006
Unexercised, outstanding stock options at the beginning of the year (shares)	725,000	680,500
Granted during the year (shares)	—	—
Forfeited during the year (shares)	—	—
Exercised during the year (shares)	44,500	250,200
Expired during the year (shares)	—	—
Unexercised, outstanding stock options at the end of the year (shares)	680,500	430,300
Exercisable, outstanding stock options at the end of the year (shares)	680,500	430,300

Notes: 1. The weighted average price of stock options exercised during the previous and current fiscal year under review as of the date on which stock options were exercised is ¥1,115 and ¥1,160.

2. 75,000 and 93,000 shares of treasury stock acquisition rights held by the Company are included in the unexercised, outstanding stock options and the exercisable, outstanding stock options as of the end of the previous and current fiscal year.

3. The weighted average remaining contractual term for unexercised stock options was 2.3 years for the last fiscal year and 1.4 years for the current year.

36. Cash flow information

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

(¥ thousand)

	Borrowings	Corporate bonds	Lease liabilities	Total
Balance at November 30, 2020	90,056,795	—	930,713	90,987,508
Changes with cash flow	13,770,058	—	(254,241)	13,515,816
Changes without cash flow				
Changes by business combinations	9,277,423	378,898	472,431	10,128,753
Others	—	—	322,486	322,486
Balance at November 30, 2021	113,104,276	378,898	1,471,390	114,954,565
Changes with cash flow	11,733,371	(66,356)	(432,155)	11,234,860
Changes without cash flow				
Changes by business combinations	(1,414,000)	—	—	(1,414,000)
Others	—	—	72,120	72,120
Balance at November 30, 2022	123,423,648	312,542	1,111,355	124,847,546

37. Business combinations

Fiscal year ended November 30, 2021 (December 1, 2020 – November 30, 2021)

(Business combination by acquisition)

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

1. Outline of the business combination

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

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

(2) Date of acquisition September 30, 2021

(3) Ratio of acquired capital equity with voting rights

100% (including indirect holdings)

(4) Reason for conducting business combination

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

(5) Method for gaining control of the acquired company

Acquisition of shares with cash and treasury shares as consideration.

(6) 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	5,674,243
Current assets	
Cash and cash equivalents	1,951,066
Inventories	12,946,858
Others	339,834
Non-current assets	
Property, plant and equipment	568,772
Others	344,454
Current liabilities	
Interest-bearing liabilities	2,775,205
Others	895,093
Non-current liabilities	
Interest-bearing liabilities	7,962,143
Others	374,668
Fair value of assets acquired and liabilities assumed (net)	4,143,874
Goodwill	1,530,369

Note: Major components of goodwill are future excess earning power expected from ongoing business development. Of the recognized goodwill, no amount is expected to be deductible for tax purposes.

(7) Acquisition-related costs

The Company reported ¥224,315 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	(3,561,293)
Cash and cash equivalents held by the acquiree at the time of acquisition	1,951,066
Payment for the acquisition of subsidiaries	(1,610,227)

(9) Impact on business performance

1) Revenue and profit for the year of the acquiree after the date of acquisition included in the consolidated statements of comprehensive income for the fiscal year ended November 30, 2021 were ¥1,303,364 thousand and ¥85,206 thousand, respectively.
2) Revenue and profit for the year included in the consolidated statements of comprehensive income for the fiscal year ended November 30, 2021, assuming that the business combination had been conducted at the beginning of the fiscal year, were ¥7,199,260 thousand and ¥146,894 thousand, respectively. The pro-forma information was unaudited by the independent auditor.

Fiscal year ended November 30, 2022 (December 1, 2021 – November 30, 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
Others	339,834	118,340	458,174
Non-current assets			
Property, plant and equipment	568,772		568,772
Others	344,454	10,287	354,741
Current liabilities			
Interest-bearing liabilities	2,775,205		2,775,205
Others	895,093		895,093
Non-current liabilities			
Interest-bearing liabilities	7,962,143		7,962,143
Others	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
Others	190,823
Non-current assets	
Long-term loans receivable	1,414,000
Others	25,390
Current liabilities	
Others	29,278
Non-current liabilities	
Others	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 Consolidated Financial Statements is negligible.

38. Contingencies

None

39. Subsequent events

None

40. Significant subsidiaries

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

(2) Others

Quarterly data of the fiscal year ended November 30, 2022

(Cumulative period)	First quarter (Three months ended Feb. 28, 2022)	Second quarter (Six months ended May 31, 2022)	Third quarter (Nine months ended Aug. 31, 2022)	Fiscal year ended November 30, 2022
Revenue (¥ thousand)	26,315,717	43,552,312	54,933,123	70,953,486
Profit before tax (¥ thousand)	5,420,496	9,000,732	10,516,022	12,753,538
Profit for the period (year) attributable to owners of parent (¥ thousand)	3,625,101	6,107,254	7,175,426	8,607,088
Basic earnings per share (¥)	76.10	128.56	151.28	181.66

(Each quarter)	First quarter (Dec. 1, 2021 – Feb. 28, 2022)	Second quarter (Mar. 1, 2022 – May 31, 2022)	Third quarter (Jun. 1, 2022 – Aug. 31, 2022)	Fourth quarter (Sep. 1, 2022 – Nov. 30, 2022)
Basic earnings per share (¥)	76.10	52.41	22.59	30.32

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheets

(¥ thousand)

		As of November 30, 2021		As of November 30, 2022
Assets				
Current assets				
Cash and deposits		23,178,593		22,197,659
Accounts receivable-trade		115,399		214,307
Real estate for sale	*1	47,298,930	*1	58,060,988
Real estate for sale in process	*1	21,585,864	*1	20,710,757
Supplies		10,402		12,369
Short-term loans receivable from subsidiaries and affiliates		1,715,000		1,815,000
Accounts receivable-other	*2	922,300	*2	5,865,052
Advance payments-trade		186,811		690,702
Prepaid expenses		327,508		363,750
Other	*2	504,993	*2	760,071
Allowance for credit losses		(994)		(776)
Total current assets		95,844,809		110,689,883
Non-current assets				
Property, plant and equipment				
Buildings	*1	18,845,284	*1	18,360,623
Structures		135,649		127,825
Machinery and equipment		45,223		37,986
Vehicles		12,224		7,967
Tools, furniture and fixtures		203,429		157,627
Land	*1	39,121,249	*1	40,584,328
Lease assets		10,673		6,645
Construction in progress		1,150		6,385
Total property, plant and equipment		58,374,883		59,289,391
Intangible assets				
Software		162,264		119,572
Telephone subscription right		1,889		1,889
Total intangible assets		164,153		121,461
Investments and other assets				
Investment securities		4,400,530		7,132,898
Stocks of subsidiaries and affiliates		10,000,725		11,064,247
Investments in capital		6,100		6,221
Long-term loans receivable		2,656		25,066
Long-term loans receivable from subsidiaries and affiliates		803,916		140,320
Long-term prepaid expenses		295,222		230,673
Derivative assets		—		63,749
Long-term accounts receivable-other	*2	89,473	*2	108,157
Claims provable in bankruptcy, claims provable in rehabilitation and other		1,890		927
Lease and guarantee deposits		1,090,362		1,020,771
Other		4,014		4,014
Allowance for credit losses		(1,906)		(1,077)
Total investments and other assets		16,692,985		19,795,968
Total non-current assets		75,232,022		79,206,822
Total assets		171,076,831		189,896,706

(¥ thousand)

		As of November 30, 2021		As of November 30, 2022
Liabilities				
Current liabilities				
Accounts payable-trade	*2	985,044	*2	925,996
Short-term loans payable	*1	1,375,500	*1	2,383,700
Current portion of long-term loans payable	*1, 4	6,112,338	*1, 4	6,882,952
Lease obligations		4,407		4,004
Accounts payable-other		1,093,793	*2	3,190,848
Accrued expenses		90,386		104,425
Income taxes payable		1,495,859		205,812
Advances received		616,603		622,101
Unearned revenue		5,880		5,871
Deposits received		157,454		271,320
Provision for bonuses		296,050		375,667
Provision for loss on rental business		—		18,634
Total current liabilities		12,233,318		14,991,334
Non-current liabilities				
Long-term loans payable	*1, 4	94,723,211	*1, 4	104,767,667
Guarantee deposits	*2	3,135,792	*2	2,876,569
Lease obligations		7,295		3,291
Asset retirement obligations		7,291		7,456
Provision for retirement benefits		415,329		472,428
Long-term accounts payable – other		456,500		—
Long-term accounts payable-other for directors		302,679		302,679
Derivative liabilities		12,950		—
Long-term unearned revenue		48,925		43,054
Deferred tax liabilities		266,192		568,911
Total non-current liabilities		99,376,166		109,042,057
Total liabilities		111,609,484		124,033,392

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Net assets		
Shareholders’ equity		
Capital stock	6,624,890	6,624,890
Capital surplus		
Legal capital surplus	6,708,366	6,708,366
Other capital surplus	161,346	177,606
Total capital surplus	6,869,713	6,885,972
Retained earnings		
Legal retained earnings	7,250	7,250
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	1,539,134	1,539,134
General reserve	15,000	15,000
Retained earnings brought forward	45,074,107	51,945,440
Total other retained earnings	46,628,241	53,499,574
Total retained earnings	46,635,491	53,506,824
Treasury shares	(911,662)	(1,533,670)
Total shareholders’ equity	59,218,432	65,484,017
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	198,705	304,396
Deferred gains (losses) on hedges	(8,984)	44,229
Total valuation and translation adjustments	189,720	348,625
Stock acquisition rights	59,193	30,670
Total net assets	59,467,346	65,863,314
Total liabilities and net assets	171,076,831	189,896,706

2) Non-consolidated statements of operations

(¥ thousand)

		Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022
Net sales	*1	47,452,190	*1	43,063,515
Cost of sales	*1	34,775,562	*1	30,449,413
Gross profit		12,676,627		12,614,101
Selling, general and administrative expenses	*1,2	5,101,811	*1,2	5,438,984
Operating income		7,574,816		7,175,116
Non-operating income				
Interest income	*1	22,851	*1	32,250
Dividends income	*1	2,871,337	*1	4,361,531
Foreign exchange gains		6,044		19,571
Miscellaneous income	*1	82,505	*1	68,919
Total non-operating income		2,982,738		4,482,272
Non-operating expenses				
Interest expenses		854,474		975,389
Share issuance cost		508		778
Miscellaneous loss		12,413		2,803
Total non-operating expenses		867,396		978,970
Ordinary income		9,690,159		10,678,418
Extraordinary income				
Gain on exchange from dividends in kind		–		278,552
Total extraordinary income		–		278,552
Extraordinary losses				
Head office relocation expenses		90,035		–
Loss on sale of non-current assets		482		–
Loss on liquidation of subsidiaries and affiliates		–		13,550
Total extraordinary losses		90,517		13,550
Income before income taxes		9,599,641		10,943,421
Income taxes-current		2,191,897		2,023,716
Income taxes-deferred		(44,934)		232,588
Total income taxes		2,146,963		2,256,304
Net income		7,452,678		8,687,116

Detailed schedule of cost of sales

Schedule of the cost in the Revitalization Business

		Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land		17,697,218	75.6	12,813,338	67.8
II. Acquisition and improvement cost of buildings		7,008,856	29.9	6,468,961	34.2
III. Book values written down following a decline in the revenue		(1,280,213)	(5.5)	(386,972)	(2.0)
Total		23,425,862	100.0	18,895,327	100.0

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

Schedule of the cost in the Development Business

		Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Land costs		3,162,482	37.9	4,706,730	56.9
II. Construction costs		5,299,659	63.6	4,110,198	49.7
III. Book values written down following a decline in the revenue		(127,186)	(1.5)	(544,111)	(6.6)
Total		8,334,955	100.0	8,272,817	100.0

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

Schedule of the cost in the Rental Business

		Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		549,754	22.3	614,731	23.3
II. Miscellaneous expenses		1,920,201	77.7	2,019,276	76.7
[Of which taxes and dues]		[403,244]		[444,150]	
[Of which depreciation and amortization]		[329,742]		[342,734]	
[Of which water and power]		[431,329]		[517,583]	
Total		2,469,956	100.0	2,634,007	100.0

Schedule of the cost in the Fund and Consulting Business

		Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
Miscellaneous expenses		359	100.0	5,343	100.0
Total		359	100.0	5,343	100.0

Schedule of the cost in the Hotel Business

		Fiscal year ended November 30, 2021		Fiscal year ended November 30, 2022	
Accounts	Notes	Amounts (¥ thousand)	Ratio (%)	Amounts (¥ thousand)	Ratio (%)
I. Outsourcing costs		31,448	5.8	40,167	6.3
II. Miscellaneous expenses		512,981	94.2	601,750	93.7
[Of which taxes and dues]		[108,880]		[124,803]	
[Of which depreciation and amortization]		[361,719]		[392,154]	
[Of which water and power]		[23,246]		[59,986]	
Total		544,429	100.0	641,917	100.0

3)Non-consolidated statements of changes in net assets

Fiscal year ended November 30, 2021
(December 1, 2020 – November 30, 2021)

(¥ thousand)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the year	6,624,890	6,708,366	—	6,708,366	7,250	1,539,134	15,000	38,517,762	40,079,146
Changes of items during the year									
Dividends from surplus								(896,333)	(896,333)
Net income								7,452,678	7,452,678
Purchase of treasury shares									
Disposal of treasury shares			161,346	161,346					
Net changes of items other than shareholders' equity									
Total changes of items during the year	—	—	161,346	161,346	—	—	—	6,556,344	6,556,344
Balance at the end of the year	6,624,890	6,708,366	161,346	6,869,713	7,250	1,539,134	15,000	45,074,107	46,635,491

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	(1,500,055)	51,912,347	(208,439)	(18,854)	(227,293)	52,077	51,737,131
Changes of items during the year							
Dividends from surplus		(896,333)					(896,333)
Net income		7,452,678					7,452,678
Purchase of treasury shares	(500,049)	(500,049)					(500,049)
Disposal of treasury shares	1,088,443	1,249,790				(5,073)	1,244,717
Net changes of items other than shareholders' equity			407,144	9,869	417,014	12,189	429,203
Total changes of items during the year	588,393	7,306,084	407,144	9,869	417,014	7,116	7,730,215
Balance at the end of the year	(911,662)	59,218,432	198,705	(8,984)	189,720	59,193	59,467,346

Fiscal year ended November 30, 2022
(December 1, 2021 – November 30, 2022)

(¥ thousand)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the year	6,624,890	6,708,366	161,346	6,869,713	7,250	1,539,134	15,000	45,074,107	46,635,491
Changes of items during the year									
Dividends from surplus								(1,815,783)	(1,815,783)
Net income								8,687,116	8,687,116
Purchase of treasury shares									
Disposal of treasury shares			16,259	16,259					
Net changes of items other than shareholders' equity									
Total changes of items during the year	–	–	16,259	16,259	–	–	–	6,871,333	6,871,333
Balance at the end of the year	6,624,890	6,708,366	177,606	6,885,972	7,250	1,539,134	15,000	51,945,440	53,506,824

	Shareholders' equity		Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at the beginning of the year	(911,662)	59,218,432	198,705	(8,984)	189,720	59,193	59,467,346
Changes of items during the year							
Dividends from surplus		(1,815,783)					(1,815,783)
Net income		8,687,116					8,687,116
Purchase of treasury shares	(885,972)	(885,972)					(885,972)
Disposal of treasury shares	263,964	280,224				(28,522)	251,701
Net changes of items other than shareholders' equity			105,690	53,213	158,904		158,904
Total changes of items during the year	(622,007)	6,265,585	105,690	53,213	158,904	(28,522)	6,395,967
Balance at the end of the year	(1,533,670)	65,484,017	304,396	44,229	348,625	30,670	65,863,314

[Notes to Non-consolidated Financial Statements]

Significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

1) Stocks of subsidiaries	Stated at cost determined by the moving-average method
2) Other securities	
• With market value	Stated at fair value based on market value and others as of the balance sheet date (unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets, and costs of securities sold are determined by the moving-average method).
• Without market value	Stated at cost determined by the moving-average method

(2) Valuation basis and method for Derivatives

Derivatives	Stated at fair value

(3) Valuation basis and methods for inventories (related to the Revitalization Business and the Development Business)

The cost method (the book value in the non-consolidated balance sheet are written down due to a decline in profitability of assets) is used as the valuation basis.

1) Real estate for sale and real estate for sale in process
Specific identification method
2) Supplies
Last purchase price method

2. Depreciation methods for non-current assets

(1) Property, plant and equipment (excluding lease assets)	The straight-line method is applied. For certain assets, the declining balance method is applied.
(2) Intangible assets (excluding lease assets)	
• Internal use software	Amortized by the straight-line method over the estimated useful life.
(3) Lease assets	Lease assets are depreciated by the straight-line method over the lease term with no residual value.

3. Recognition of allowances

(1) Allowance for credit losses	To cover losses from bad debts, allowance for credit losses is provided in the amount expected to be uncollectible based on historical experience of bad debts for general receivables and individual collectability for specific receivables such as doubtful receivables.
(2) Provision for bonuses	To cover bonus payments to employees, provision for bonuses is provided in the amount for the fiscal year based on the estimated amount of payment.
(3) Provision for retirement benefits	To cover retirement benefits to employees, the amount that would be required to pay if all eligible employees retired at the fiscal year-end is provided based on the estimated amount of retirement benefit obligations as of the fiscal year-end. In calculating retirement benefit obligations, the portion of expected benefits attributed to the periods up to the fiscal year-end is determined using the

	benefit formula basis. Actuarial differences are amortized on a straight-line basis over a period equal to or less than the average remaining service period of eligible employees at the time of occurrence.
(4) Provision for loss on rental business	To cover losses from subleasing contracts, etc., the amount of total rental expenses with payment obligations, etc., minus total expected rental revenues, etc., arising from subleasing is recorded.

4. Recognition of income and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

(Revitalization Business)

This business acquires office buildings, commercial facilities, apartments and other properties whose asset value has declined, boosts their value through "value-up plans" judged to best match the characteristics of the properties' areas and tenant requirements, and sells them as revitalized real estate to buyers including investors, real estate funds and individual business entities that acquire real estate for private use. With regard to sale of properties, the Group is obliged to transfer a property to a customer based on a property sale and purchase contract with the customer, etc. Such performance obligation is satisfied at a point in time when the property is transferred, and revenue is recognized at the time of property transfer. The transaction price is determined based on the property sale and purchase contract, etc. A portion of the selling price is received as a deposit at the time the contract is concluded, and the remaining amount is received at the time the property is transferred.

(Development Business)

In this business, the Group verifies the characteristics of land it acquires including area, shape, intended purpose, relevant needs, rent, and selling price. Based on this, the Group carries out development and new construction to maximize the value of the land, and sells whole buildings or individual units. The performance obligations of the business and the timing of fulfillment thereof, the method of determining transaction price, the timing of revenue recognition, etc. are the same as those of the Revitalization Business.

(Rental Business)

In this business, the Group rents its own office buildings, condominiums, stores and parking lots to end-users and others primarily in the main districts of Tokyo. With regard to leasehold properties, the Group is obliged to make available electricity, gas, water, and other services based on a lease contract with a customer. The performance obligation is satisfied over a certain period of time during which the service is provided. Based on the measured amount of electricity, gas, water, and other services used by the customer, the Group recognizes as revenue the amount obtained by multiplying the measured amount of usage by the billing unit price. The Group receives payment for the previous month's usage at the end of the month.

5. Other significant matters for preparing financial statements

(1) Translation of assets and liabilities denominated in foreign currencies into Japanese currency	Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and differences arising from such translation are recognized in the non-consolidated statement of operations.
(2) Method for hedge accounting	1) Method for hedge accounting Based on the deferred hedge accounting. 2) Hedging instrument and hedged item - Hedging instrument: interest rate swaps - Hedged item: interest on borrowings 3) Hedging policy To mitigate risks of fluctuations in interest rates on

borrowings and improve the financial account balance, the Company hedges interest volatility risks within the scope of the hedged items.

4) Method for assessing hedge effectiveness
The Company compares cumulative changes in the market price or cumulative changes in cash flows of the hedged item with cumulative changes in the market price or cumulative changes in cash flows of the hedging instrument semi-annually, and assesses hedge effectiveness based on the amount of these changes of both and other factors.

(Significant accounting estimates)

Valuation of inventories (related to the Revitalization Business and the Development Business)

(1) Amount recorded in the financial statements for the fiscal year under review

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Real estate for sale	47,298,930	58,060,988
Real estate for sale in process	21,585,864	20,710,757
Loss on valuation of inventories (reversal of loss)	(1,407,399)	(931,083)

(2) Information on the nature of significant accounting estimates for identified items

(i)Calculation method

Real estate for sale and real estate for sale in progress are assessed at the lower of cost or net selling value. Net selling value is calculated for each individual property by deducting costs to sell from the estimated selling price. If the net selling value is less than the cost, the cost is reduced to the net selling value and the difference is recognized as a loss on valuation of inventories in the cost of sales. In addition, when it is evident that the net selling value has recovered due to changes in economic conditions and other factors, the loss on valuation of inventories is reversed accordingly, up to the acquisition cost.

(ii)Key assumptions

In calculating the net selling value of properties for investors, assumptions such as rent, vacancy rate, and rental expenses are determined by comprehensively taking into account market trends, transaction cases of similar properties, past performance, and other factors. The discount rate is determined based on similar transactions, interest rate trends, etc. In addition, real estate appraisals are obtained as necessary.

For build-for-sale detached houses, assumptions are determined based on the most recent sales results, market trends, and other factors.

In making accounting estimates, the Company estimates selling prices of real estate for sale and real estate for sale in progress as well as development costs, such as value-up activities and construction costs, which are the basis for calculating their net selling value, for each individual property. In the course of long-term real estate development and sales activities, these components of estimates have been greatly affected by fluctuations in the economic environment and interest rates, competitive conditions in the real estate market, external factors in real estate development, the impact of COVID-19, and other factors.

(iii)Effect on the financial statements for the fiscal year ending November 30, 2023

Key assumptions are determined based on the best estimates available at the time of preparation of the financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of net selling value.

Impairment losses on non-current assets

(1) Amount recorded in the financial statements for the fiscal year under review

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Property, plant and equipment	58,374,883	59,289,391

The non-current assets leased for hotel use reported an ongoing negative value in its operating profit/loss as a result of a decline in the occupancy rate of hotels mainly due to the impact of COVID-19, and the Company recognized signs of impairment in the asset group holding ¥13,117,931 thousand in property, plant and equipment leased for hotel use. A test was conducted to determine whether to recognize impairment losses at the end of the fiscal year under review. As it showed that the total amount of estimated undiscounted cash flows exceeded the book value of the assets, recognition of impairment loss was deemed unnecessary.

(2) Information on the nature of significant accounting estimates for identified items

(i)Calculation method

The Company assesses whether there is any indication that an asset or asset group may be impaired, and if any such indication exists, compares the total undiscounted future cash flows from the asset or asset group with its carrying amount. If the total undiscounted future cash flows are less than the carrying amount, the carrying amount is reduced to its recoverable amount, and the amount of reduction is recognized as an impairment loss. The recoverable amount is the higher of the net selling value and the value in use.

(ii)Key assumptions

In calculating the total amount of undiscounted future cash flows, assumptions such as rent, vacancy rate, and rental expenses are determined by comprehensively taking into account market trends, transaction cases of similar properties, past performance, and other factors. The discount rate used to calculate the value in use is determined based on similar transactions, interest rate trends, etc. The net selling value is set at an amount considered appropriate based on comparable transactions in the surrounding area, real estate appraisals, published land prices, and other data. The total undiscounted future cash flows of non-current assets leased for hotel use are based on their rents, which were estimated based on the assumption that the business will gradually recover toward November 30, 2023 from the effects of COVID-19. Key assumptions made in estimating rents are the future occupancy rates and average room rates in the Hotel Business.

(iii)Effect on the financial statements for the fiscal year ending November 30, 2023

Key assumptions are determined based on the best estimates available at the time of preparation of the financial statements. However, in the event of unexpected events such as deterioration in the economic environment and any subsequent changes in key assumptions, such changes may have a significant impact on the calculation of net selling value or value in use.

Changes in accounting policies

The Group has applied the Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This does not affect the non-consolidated financial statements.

Additional information

(Change in holding purpose of assets)

The following asset transfers were made due to changes in holding purpose of assets.

From property, plant and equipment to real estate for sale ¥1,355,087 thousand

(Impact of the spread of COVID-19 on accounting estimates)

In determining accounting estimates for valuation of inventories, impairment accounting for non-current assets, recoverability of deferred tax assets, and other items, the Company has assumed that the spread of COVID-19 will have a certain impact on future earnings.

In the fiscal year under review, the Company recognizes that real estate markets other than hotels and commercial facilities have already recovered. For hotels and commercial facilities, the Company expects that the impact of COVID-19 will persist for the time being, and that it will gradually recover toward November 30, 2023.

Notes to non-consolidated balance sheets

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

Pledged assets

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Real estate for sale	46,663,396	56,971,457
Real estate for sale in process	21,171,793	18,483,685
Buildings	17,987,260	17,513,223
Land	34,650,424	36,113,503
Total	120,472,874	129,081,869

Debts secured by security interests

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Short-term loans payable	1,010,000	699,000
Current portion of long-term loans payable	6,112,338	6,882,952
Long-term loans payable	94,672,211	100,007,267
Total	101,794,549	107,589,219

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Short-term monetary receivables	52,583	105,215
Long-term monetary receivables	89,473	108,157
Short-term monetary payables	238,829	2,020,897
Long-term monetary payables	90,746	106,957

3. Contingent liabilities

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

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Tosei Logistics Management Co., Ltd.	545,680	240,080
Kishino Corporation	616,000	587,200

*4. Financial covenants

As of November 30, 2021

(1) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥405,950 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

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

Reference value = Total interest-bearing debt ÷ Total equity

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

(2) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥600,036 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

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

Reference value = Total interest-bearing debt ÷ Total equity

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

(3) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥621,268 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

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

Reference value = Total interest-bearing debt ÷ Total equity

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

(4) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥180,765 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to

the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2019, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.
  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.
- In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

  Reference value = Total interest-bearing debt ÷ Total equity

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

(5) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥9,800,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, profit before tax must be kept at ¥0 or more.
  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.
- In the consolidated statement of financial position and the consolidated statement of comprehensive income, the reference value, which is calculated by the formula below, must be 2.8 or less.

  Reference value = Total interest-bearing debt ÷ Total equity

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

(6) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥8,385,700 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2016, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.
  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

(7) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥1,800,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

- In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2018, and total equity as of the end of the previous fiscal year.
- In the consolidated statement of comprehensive income, operating profit must not be less than ¥0 for two consecutive periods.
  * However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described in the notes to consolidated statement of comprehensive income, to operating profit shall be used as operating profit in the formula above.

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

Covenants

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

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

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

(9) Of the Company's loans payable, contract of individual cash loan with The Chiba Bank, Ltd. (outstanding balance: ¥704,600 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

(10) Of the Company's loans payable, contract of individual cash loan with Kansai Mirai Bank, Limited (outstanding balance: ¥662,600 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the non-consolidated balance sheets as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the previous fiscal year.

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

・In the non-consolidated statement of operations, ordinary profit must not be less than ¥0 for two consecutive periods.

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

(11) Of the Company's loans payable, contract of individual cash loan with The Shizuoka Bank, Ltd. (outstanding balance: ¥350,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

(12) Of the Company's loans payable, contract of individual cash loan with The Shizuoka Bank, Ltd.

(outstanding balance: ¥195,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

(13) Of the Company's loans payable, contract of individual cash loan with The Chiba Bank, Ltd. (outstanding balance: ¥555,000 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

(14) Of the Company's loans payable, contract of individual cash loan with Daishi Hokuetsu Bank, Ltd. (outstanding balance: ¥423,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the non-consolidated balance sheets as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the previous fiscal year.

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

・In the non-consolidated statement of operations, ordinary profit must not be less than ¥0 for two consecutive periods.

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

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

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

(15) Of the Company's loans payable, loan contract with Risona Bank (outstanding balance: ¥557,500 thousand) includes financial covenants. If the Company violates all items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2019, and total equity as of the end of the previous fiscal year.

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

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

before tax in the formula above.

・The GOP of the project must be kept more higher which of the project for each period from November 30, 2024 to the final principal repayment date of each year, above the annual repayment amount of this contract.

(16) Of the Company's loans payable, loan contract with The Norinchukin Bank (outstanding balance: ¥4,365,600 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

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

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

As of November 30, 2022

(1) Of the Company's loans payable, special contract of individual cash loan with The Bank of Mitsubishi UFJ, Ltd. (outstanding balance: ¥9,800,000 thousand) includes financial covenants. If the Company violates any two or more items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・ In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of the higher of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

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

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

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

Reference value = Total interest-bearing debt ÷ Total equity

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

(2) Of the Company's loans payable, loan contract with Sumitomo Mitsui Banking Corporation (outstanding balance: ¥6,043,200 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

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

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

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

(3) Of the Company's loans payable, loan contract with Risona Bank (outstanding balance: ¥4,342,200 thousand) includes financial covenants. If the Company violates all items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

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

* However, the value calculated by adding loss on valuation of inventories included in cost of sales, which is described

in the notes to consolidated statement of comprehensive income, to profit before tax shall be used as profit before tax in the formula above.

・The GOP of the project must be kept more higher which of the project for each period from November 30, 2024 to the final principal repayment date of each year, above the annual repayment amount of this contract.

(4) Of the Company's loans payable, loan contract with The Norinchukin Bank (outstanding balance: ¥3,585,200 thousand) includes financial covenants. If the Company violates any items of the following covenants, the Company may repay the amount of the relevant loan to the lender in a lump sum.

Covenants

・In the consolidated statement of financial position as of the end of the fiscal year, total equity must be kept at 75% or more of total equity as of the end of the fiscal year ended November 30, 2020, and total equity as of the end of the previous fiscal year.

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

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

Notes to non-consolidated statements of operations

*1. The following shows the item that includes transactions with associated companies.

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Net Sales	138,300	585,700
Purchase amount	1,084,982	994,473
Other business turnover	127,775	192,960
Transaction volume other than business turnover	2,676,330	4,072,967

*2. The approximate ratio to selling expenses is 22.0% in the fiscal year ended November 30, 2021 and 23.9% in the fiscal year ended November 30, 2022, while the approximate ratio to general and administrative expenses is 78.0% in the fiscal year ended November 30, 2021 and 76.1% in the fiscal year ended November 30, 2022. Main components of selling, general and administrative expenses are as follows:

(¥ thousand)

	Fiscal year ended November 30, 2021	Fiscal year ended November 30, 2022
Sales expenses (Revitalization)	631,855	552,407
Sales expenses (Development)	364,979	573,694
Salaries and allowances	1,190,247	1,371,328
Provision for bonuses	296,050	375,667
Retirement benefit expenses	71,443	76,635
Provision of allowance for credit losses	2,027	639
Taxes and dues	603,265	517,215
Depreciation	395,830	317,169

Securities

As of November 30, 2021

As shares in subsidiaries (book value in the balance sheet: ¥10,000,725 thousand) have no quoted market prices and it is considered extremely difficult to determine the fair values, they are omitted.

As of November 30, 2022

As shares in subsidiaries (book value in the balance sheet: ¥11,064,247 thousand) have no quoted market prices, they are omitted.

Tax effect accounting

1. Significant components of deferred tax assets and liabilities

(¥ thousand)

	As of November 30, 2021	As of November 30, 2022
Deferred tax assets		
Accrued enterprise taxes, currently not deductible	103,457	62,684
Provision for bonuses	90,650	115,029
Loss on valuation of inventories	146,357	146,357
Provision for retirement benefits	127,173	111,539
Long-term accounts payable-other for directors	92,680	92,680
Dividends income as withdrawal of investments	722,757	971,376
Others	53,117	53,730
Subtotal	1,336,194	1,553,398
Valuation reserves	(835,413)	(1,083,778)
Total deferred tax assets	500,781	469,619
Deferred tax liabilities		
Valuation difference on other securities	(87,696)	(134,341)
Reserve for tax purpose reduction entry of non-current assets	(679,277)	(679,277)
Deferred gains (losses) on hedges	—	(19,519)
Gain on exchange from dividends in kind	—	(205,392)
Total deferred tax liabilities	(766,973)	(1,038,531)
Net deferred tax assets and liabilities	(266,192)	(568,911)

2. The account for the difference between the statutory effective tax rate and the effective tax rate after adoption of tax-effect accounting

	As of November 30, 2021	As of November 30, 2022
Statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Expenses not deductible permanently such as entertainment expenses	0.44	2.91
Profits not deductible permanently such as dividends income	(9.36)	(14.89)
Taking over loss carryforward due to liquidation of a subsidiary	—	(0.32)
Change in valuation reserves	0.64	2.27
Others	0.03	0.03
Effective tax rates after adoption of tax effect accounting	22.37	20.62

Revenue recognition

Information that provides a basis for understanding revenues from contracts with customers is presented in "Significant accounting policies, 4. Recognition of income and expenses" in the Notes to Non-consolidated Financial Statements.

Important subsequent events

None

4) Supplementary statements

[Detailed schedule of property, plant and equipment and others]

(¥ thousand)

Category	Type of assets	Balance as of Dec. 1, 2021	Increase in the fiscal year ended Nov. 30, 2022	Decrease in the fiscal year ended Nov. 30, 2022	Depreciation during the fiscal year ended Nov. 30, 2022	Balance as of Nov. 30, 2022	Accumulated depreciation or amortization as of Nov. 30, 2022
Property, plant and equipment	Buildings	18,845,284	534,709	101,735	917,634	18,360,623	4,884,808
	Structures	135,649	1,800	－	9,623	127,825	28,612
	Machinery and equipment	45,223	1,730	－	8,966	37,986	40,220
	Vehicles	12,224	－	－	4,256	7,967	7,136
	Tools, furniture and fixtures	203,429	17,597	0	63,399	157,627	139,292
	Land	39,121,249	2,716,431	1,253,352	－	40,584,328	－
	Lease assets	10,673	－	－	4,027	6,645	11,422
	Construction in progress	1,150	14,225	8,990	－	6,385	－
	Total	58,374,883	3,286,493	1,364,077	1,007,907	59,289,391	5,111,493
Intangible assets	Software	162,264	1,524	65	44,150	119,572	－
	Telephone subscription right	1,889	－	－	－	1,889	－
	Total	164,153	1,524	65	44,150	121,461	－

Notes1: In the increase in the fiscal year ended Nov. 30, 2022, principal events are as follows:

Buildings: Acquisition of new properties (2 properties) ¥ 355,289 thousand
Land: Acquisition of new properties (2 properties) ¥2,714,005 thousand

2: In the decrease in the fiscal year ended Nov. 30, 2022, principal events are as follows:

Buildings: Transfer to real estate for sale (1 property) ¥ 101,735 thousand
Land: Transfer to real estate for sale (1 property) ¥1,253,352 thousand

[Detailed schedule of allowances]

(¥ thousand)

Category	Balance as of Dec. 1, 2021	Increase in the fiscal year ended Nov. 30, 2022	Decrease in the fiscal year ended Nov. 30, 2022	Balance as of Nov. 30, 2022
Allowance for doubtful accounts	2,901	639	1,685	1,854
Provision for bonuses	296,050	375,667	296,050	375,667
Provision for loss on rental business	－	18,634	－	18,634

(2) Principal assets and liabilities

This information is omitted since the consolidated financial statements have been prepared.

(3) Others

No item to report.

VI. Outline of filing company’s business concerning shares

<table>
<tr><td>Business year</td><td>From December 1 to November 30</td></tr>
<tr><td>Ordinary General Meeting of Shareholders</td><td>February</td></tr>
<tr><td>Record date</td><td>November 30</td></tr>
<tr><td>Record dates for dividends from surplus</td><td>May 31
November 30</td></tr>
<tr><td>Share unit number</td><td>100 shares</td></tr>
<tr><td>Purchase of shares less than one unit:

Office for handling business

Shareholder registry administrator

Forwarding office

Handling charge for purchase</td><td>

1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Corporate Agency Department, Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation

–

No charge</td></tr>
<tr><td>Method of public notice</td><td>Electronic public notice will be made.
URL for public notice:
https://www.toseicorp.co.jp/ir/publicly/index.html
However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun.</td></tr>
<tr><td>Special benefits for shareholders</td><td>Status of Shareholders eligible for the program
(1) Shareholders eligible for the program
Shareholders eligible for the program are those holding at least one trading unit (100 shares) of the Company’s shares as of the record date November 30 of each fiscal year.
(2) Details of the shareholder benefits
<table>
<tr><td rowspan="2">Continuous holding period*1</td><td colspan="2">Details of benefits</td></tr>
<tr><td>The Company’s original QUO CARD*2</td><td>Hotel discount coupon*3</td></tr>
<tr><td>Less than 1 year</td><td>–</td><td rowspan="4">¥3,000 yen</td></tr>
<tr><td>1 year to less than 2 years</td><td>¥1,000 yen</td></tr>
<tr><td>2 years to less than 5 years</td><td>¥2,000 yen</td></tr>
<tr><td>5 years or more</td><td>¥3,000 yen</td></tr>
</table>
*1 Continuous holding period refers to the consecutive listing or recording of the holding of at least one trading unit (100 shares) of the Company’s shares under an identical shareholder number on the shareholder registry as at the end of November and at the end of May of each year (“1 year or more” refers to a listing or recording of three consecutive times, “2 years or more” refers to a listing or recording of five consecutive times, and “5 years or more” refers to a listing or recording of 11 consecutive times). If the shareholder number changes due to inheritance or the removal from the shareholder registry, the holding period will be calculated starting from the immediately following record date.
*2 The Company’s original QUO CARD will be presented once a year.</td></tr>
</table>

	*3 For information on the facilities where the hotel discount coupons can be used and the details of the terms and conditions, please visit the Company's website (https://www.toseicorp.co.jp/ir/investor/incentive/ in Japanese). *4 Shareholders of shares listed on the Singapore Exchange market shall receive once a year a gift certificate that can be used in Singapore (Capital Voucher) in an amount equivalent to QUO CARDS presented above according to the continuous holding period, as well as hotel discount coupons described above. (3) Delivery period The benefits are scheduled to be dispatched in late February of each year.

Notes:
1. Pursuant to the provisions of the Company's Articles of Incorporation, the Company's shareholders may not exercise any right, in relation to their holding shares less than one unit, other than the rights set forth in each of the following items:
   (1) Rights set forth in each item of Article 189, paragraph 2 of the Companies Act
   (2) A right to claim that is set forth in the provisions of Article 166, paragraph 1 of the Companies Act
   (3) A right to receive allocation of shares and stock acquisition rights for subscription according to the number of shares held by shareholders
2. Due to the enforcement of the Act for Partial Revision of the Act on Transfer of Bonds, etc. for Achieving Rationalization of Settlements for Transactions of Shares, etc. and Other Acts (June 9, 2004, Act No. 88), treatment of shares including purchase and sale of shares less than one unit shall be conducted via securities brokers and other account management institutions in principle. However, shares recorded in special accounts are directly dealt with by Mitsubishi UFJ Trust and Banking Corporation, which is the account management institution of special accounts.

VII. Reference information on filing company

1. Information on filing company's parent company

Tosei does not have a parent company as described by the provisions of Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, Tosei has filed the following documents.

(1) Annual Securities Report and Appendices, and Confirmation Letter

72nd term; from December 1, 2020 to November 30, 2021, filed to Director-General of Kanto Local Finance Bureau on February 28, 2022.

(2) Internal Control Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on February 28, 2022.

(3) Quarterly Securities Reports and Confirmation Letter

First quarter of the 73rd term; from December 1, 2021 to February 28, 2022, filed to Director-General of Kanto Local Finance Bureau on April 8, 2022.
Second quarter of the 73rd term; from March 1, 2022 to May 31, 2022, filed to Director-General of Kanto Local Finance Bureau on July 8, 2022.
Third quarter of the 73rd term; from June 1, 2022 to August 31, 2022, filed to Director-General of Kanto Local Finance Bureau on October 7, 2022.

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on February 28, 2022.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on February 27, 2023.

Extraordinary Report based on Article 19, paragraph 2, item 9-2 (Results of Exercise of Voting Rights) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Share buyback report

Filed to Director-General of Kanto Local Finance Bureau on March 2, 2022, April 5,2022, May 9,2022, June 3,2022, July 5,2022, August 3,2022, September 5, 2022, October 5,2022, November 4, 2022, December 5,2022, January 12,2023.

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

No items to report

Independent Auditors' Audit Report and Internal Control Audit Report

February 20, 2023

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

[Audit of Financial Statements]

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Accounting Section, namely, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements of Tosei Corporation for the fiscal year from December 1, 2021 to November 30, 2022.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation and consolidated subsidiaries as of November 30, 2022, and the consolidated results of their operations and their cash flows for the year then ended in conformity with the International Financial Reporting Standards, pursuant to the provisions of Article 93 of the Ordinance.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Consolidated Financial Statements. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

Decisions on whether to record impairment losses on non-current assets related to the Hotel Business	
Why it was determined to be a key audit matter	How the matter was addressed in the audit
In the consolidated statements of financial position of Tosei Corporation for the fiscal year under review, property, plant and equipment of ¥22,963,356 thousand includes property, plant and equipment related to the Hotel Business of ¥13,473,514 thousand, which accounts for 6% of total assets. Whether to record impairment losses on non-current assets were determined by comparing the recoverable amount of the cash-generating unit with the book value when the non-current assets show signs of impairment. If the recoverable amount falls below the book value, the book value is reduced to the recoverable amount, and the decrease in book value is recognized as an impairment loss, as described in "(6) Property, plant and equipment" of "3. Significant accounting policies," "4. Significant accounting estimates and judgments requiring estimates," and "12. Property, plant and equipment" in the Notes to Consolidated Financial Statements. As impairment tests at the fiscal year-end indicated that the recoverable amount exceeded the book value, an impairment loss was not recognized. The Hotel Business reported an ongoing negative value in its operating profit/loss as a result of a decline in the occupancy rate of hotels mainly due to the impact of COVID-19, and the Company recognized signs of impairment in the cash-generating unit holding these non-current assets. The recoverable amount is measured at the higher of the value in use based on estimated future cash flows and the discount rate, and fair value less costs of disposal; however, as key assumptions include future occupancy rates, average room rates, and discount rates for the hotel business, that affect future cash flows are highly dependent on the management's subjective judgment, they are subject to uncertainty. Accordingly, we determined that decisions on whether to record impairment losses on non-current assets related to the Hotel Business is a key audit matter.	We principally performed the following audit procedures to examine the rationale of the decisions on whether to record impairment losses on non-current assets related to the Hotel Business. (1) We assessed the effectiveness of the status of development and operation of internal control related to the decisions on whether to record impairment losses on non-current assets. (2) We performed the following procedures to assess the rationale of estimated future cash flows and the discount rate. - In order to assess the rationale of assumptions about future cash flows with uncertainty, we analyzed trends and developments for a period of time, including results in prior years, then asked the management, etc. about the future occupancy rate, average daily room rate, and long-term growth rate, and performed a comparative analysis with the results in prior years, management's market forecasts, and the trends in the hotel market, etc. published by external agencies to examine their consistency. In addition, we discussed the impact of the COVID-19 with management, etc., and assessed the assumptions about when and after the convergence. - In order to identify the events that affect the assessment of future cash flows, including future usage and repair plans, we inspected the minutes of the Board of Directors' meetings and other meetings, and asked the management etc. about their assumptions about the usage and repair plans to examine whether the events identified had been reflected in future cash flows. - In order to examine the adequacy of future cash flows for each property, we compared the forecasted values with the results in prior years for each of the items that form the basis for the cash flow calculation. - With regard to the discount rate used to calculate the value in use, based on the target evaluation items and the requirements of the accounting standards, we evaluate the appropriateness, and examined the reliability of the data that forms the basis and the accuracy of the calculation.

Assessment of real estate held for sale and real estate for sale in process related to the Revitalization Business and the Development Business	
Why it was determined to be a key audit matter	How the matter was addressed in the audit
In the consolidated statements of financial position of Tosei Corporation for the fiscal year under review, inventories related to the Revitalization Business and the Development Business of ¥95,303,762 thousand have been recorded. It consists of real estate held for sale of ¥74,267,531 thousand and real estate for sale in process of ¥21,036,231 thousand, accounting for 45% of total assets. Real estate held for sale and real estate for sale in process ("real estate held for sale, etc.") are assessed by	We principally performed the following audit procedures to examine the rationale of the assessment of real estate held for sale, etc. related to the Revitalization Business and the Development Business. (1) We assessed the effectiveness of the status of development and operation of internal control related to the assessment of real estate held for sale, etc. (2) We performed the following procedures for the estimates of net realizable value of individual real

recording a loss on valuation when net realizable value falls below the acquisition cost, and the loss on valuation is reversed up to the acquisition cost when net realizable value is clearly recovering, as described in "(5) Inventories" of "3. Significant accounting policies," "4. Significant accounting estimates and judgments requiring estimates," and "10. Inventories" in the Notes to Consolidated Financial Statements. Estimates of selling prices and development expenses including improvement and construction costs, which form the basis for calculating the net realizable value of real estate held for sale, etc., are made for each individual property. However, they are greatly affected by the economic environment, interest rate fluctuations, competition in the real estate market, external factors in real estate development, the impact of COVID-19, and other factors in the course of real estate development and sales activities over a long period of time. As a result, estimates are subject to a great deal of uncertainty and are highly dependent on the management's subjective judgment. Accordingly, we determined that the assessment of real estate held for sale, etc. related to the Revitalization Business and the Development Business is a key audit matter, as it has a significant impact on the consolidated financial statements and the estimates require management's judgment.	estate held for sale, etc. - We assessed the adequacy and consistency of the method of calculating net realizable value. - We compared net realizable value with the Acquisition cost or book value for the property that is being assessed based on the business plan. - We compared the net realizable value assessed at the previous year-end with the actual sales value for real estate held for sale, etc. sold during the fiscal year under review. - We asked the management about their methods and basis for estimating tenant rents and guest room occupancy rate under the impact of COVID-19, a key assumption in the assessment of real estate held for sale, etc., confirmed that such factors have been reflected in the assessment of real estate held for sale, etc., and assessed the rationale of the estimates and the degree of uncertainty. - We assessed the rationale of the capitalization rate estimate set by the Company for the calculation of net realizable value, by examining the consistency with the historical trend analysis, information published by external agencies, and the results of hearings. (3) For real estate held for sale, etc. in the Development Business, we assessed the feasibility of the development plans by questioning management and reviewing development and sales plan documents. (4) We visited the sites of some of the real estate held for sale, etc. to confirm the current status of the property and its surrounding environment, etc. and assessed the rationale of the estimates.

Other information

The other information comprises the information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements and the audited reports thereon. Management is responsible for the preparation and the disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with International Financial Reporting Standards.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.
We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity’s audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under International Financial Reporting Standards, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor’s independence and any safeguards that are in place to reduce or eliminate obstacles
The auditor shall determine, from the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, which of the matters were of most significance in the audit of the consolidated financial statements of the current period and therefore are the key audit matters. The auditor shall describe each key audit matter in the auditor’s report unless law or regulation precludes public disclosure about the matter; or in extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Audit of Internal Control over Financial Reporting]

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management’s report on internal control over financial reporting of Tosei Corporation as of November 30, 2022.
In our opinion, the Management’s Report referred to above, which represents that the internal control over financial reporting as at November 30, 2022 of Tosei Corporation is effective, present fairly, in all material respects, the result of management’s assessment on internal control over financial reporting in conformity with standards for assessment of

internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and Audit & Supervisory Members for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Corporate auditors and Audit & Supervisory Members are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.
As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.
We also provide corporate auditors and Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1. The original copy of the Annual Securities Report in above, is in the custody of the Company (filing company of the Annual securities report) as attachments to the financial statements.
*2. XBRL data is excluded from the scope of the audit.

* The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor's report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

Independent Auditors' Audit Report

February 20, 2023

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

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Accounting Section, namely, the balance sheets and the related statements of operations and changes in net assets, the significant accounting policies, the other related notes and supplementary schedules of Tosei Corporation for the 73rd fiscal year from December 1, 2021 to November 30, 2022.
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tosei Corporation as of November 30, 2022, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

Decisions on whether to record impairment losses on non-current assets leased for hotel use	
Why it was determined to be a key audit matter	How the matter was addressed in the audit
In the non-consolidated balance sheets of Tosei Corporation for the fiscal year under review, property, plant and equipment of ¥59,289,391 thousand includes property, plant and equipment leased for hotel use of ¥13,117,931 thousand, which accounts for 7% of total assets. Whether to record impairment losses on non-current assets leased for hotel use is described in "(Significant accounting estimates) Impairment losses on non-current assets" in the Notes to Non-consolidated Financial Statements. These non-current assets are depreciated systematically; however, if the total amount of undiscounted future cash flows from the asset group falls below the book value when there are signs of impairment, the book value is reduced to the higher of the value in use and net sales value, and the difference is recognized as an impairment loss. The non-current assets leased for hotel use reported an ongoing negative value in its operating profit/loss as a result of a decline in the occupancy rate of hotels mainly due to the impact of COVID-19, and the Company has recognized signs of impairment in the asset group that contains these non-current assets. A test was conducted to determine whether to recognize impairment losses at the end of the fiscal year under review. As it showed that the total amount of estimated undiscounted cash flows exceeded the book value of the assets, recognition of impairment loss was deemed unnecessary. As key assumptions that affect the total amount of undiscounted cash flows are highly dependent on the management's subjective judgment include future occupancy rates and average room rates for the hotel business, they are subject to uncertainty. Accordingly, we determined that the decisions on whether to record impairment losses on non-current assets leased for hotel use is a key audit matter.	We principally performed the following audit procedures to examine the rationale of the decisions on whether to record impairment losses on non-current assets leased for hotel use. (1) We assessed the effectiveness of the status of development and operation of internal control related to the decisions on whether to record impairment losses on non-current assets. (2) Assessment of the rationale of the total amount of undiscounted future cash flows We performed the following procedures to assess the rationale of the total amount of undiscounted future cash flows. - In order to assess the rationale of the total amount of discounted future cash flows with uncertainty, we analyzed trends and developments for a period of time, including results in prior years, then asked the management, etc. about the future occupancy rate, average daily room rate, and long-term growth rate, which form the basis for rent income, and performed a comparative analysis with the results in prior years, management's market forecasts, and the trends in the hotel market, etc. published by external agencies to examine their consistency. In addition, we discussed the impact of the COVID-19 with management, etc., and assessed the assumptions about when and after the convergence. - In order to identify the events that affect the total amount of undiscounted future cash flows, including future usage and repair plans, we inspected the minutes of the Board of Directors' meetings and other meetings, and asked the management etc. about their assumptions about the usage and repair plans, etc. to examine whether the events identified had been reflected in the total amount of undiscounted future cash flows. - In order to examine the adequacy of the total amount of undiscounted future cash flows for each property, we compared the forecasted values with the results in prior years for each of the items that form the basis for the cash flow calculation.

Assessment of real estate held for sale and real estate for sale in process related to the Revitalization Business and the Development Business
Tosei Corporation is engaged in the Revitalization Business and the Development Business. The non-consolidated balance sheets for the fiscal year under review records ¥58,060,988 thousand in real estate held for sale and ¥20,710,757 thousand in real estate for sale in process related to the Revitalization Business and the Development Business, accounting for 41% of total assets. Real estate held for sale and real estate for sale in process are assessed by recording a loss on valuation when net sales value falls below the Acquisition cost, and the loss on valuation is reversed up to the acquisition cost when net realizable value is clearly recovering, as described in "(Significant accounting estimates) Inventories (related to the Revitalization Business and the Development Business)" in the Notes to Non-consolidated Financial Statements. With regard to the matters mentioned above, details of the key audit matter, why it was determined to be a key audit matter, and how the matter was addressed in the audit have been omitted as they are identical to the key audit matter (Assessment of real estate held for sale and real estate for sale in process related to the Revitalization Business and the Development Business) described in the audit report of the consolidated financial statements.

Other information
The other information comprises the information included in the Annual Securities Report other than the consolidated and non-consolidated financial statements and the audited reports thereon. Management is responsible for the preparation and the disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process of the other information.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.
The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.
The auditor shall determine, from the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, which of the matters were of most significance in the audit of the financial statements of the current period and therefore are the key audit matters. The auditor shall describe each key audit matter in the auditor's report unless law or regulation precludes public disclosure about the matter; or in extremely rare circumstances, the auditor determines that the matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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*1. The original copy of the Annual Securities Report in above, is in the custody of the Company (filing company of the Annual securities report) as attachments to the financial statements.
2. XBRL data is excluded from the scope of the audit.

* The English version of the financial statements consists of an English translation of the audited Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our audit. Consequently, for the auditor's report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

[Cover]

Document to be filed:	Management's Report on Internal Control
Provisions to base upon:	Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 27, 2023
Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
Title and name of representative:	Seiichiro Yamaguchi, President and CEO
Title and name of Chief Financial Officer	Noboru Hirano, Director and CFO
Location of head office:	4-5-4, Shibaura, Minato-ku, Tokyo, Japan
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of Internal Control Over Financial Reporting

Seiichiro Yamaguchi, President and CEO of TOSEI CORPORATION (the "Company") and Noboru Hirano, CFO Senior Executive Officer of the Company, having the responsibility to design and operate internal control over financial reporting of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"), designs and operates such internal control of the Company in accordance with the basic framework set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

Note that internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, internal control over financial reporting may not be able to completely prevent or detect misstatement in financial reporting.

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was performed as of November 30, 2022(i.e., the last day of this fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the management first assessed company-level control which would have a material impact on the reliability of overall financial reporting on a consolidated basis, and based on such result, the management then selected the business processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

Management determined the scope of assessment of internal control over financial reporting, by selecting the Company, consolidated subsidiaries and companies accounted for by the equity method based on their materiality of impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the management reasonably determined the scope of assessment of process-level control based on the result of the company-level control assessment, which included the Company and its 5 significant consolidated subsidiaries. As for the 7 consolidated subsidiaries other than the above are not included in the scope of evaluation of company-wide internal control, as they are considered insignificant in terms of monetary and qualitative importance.

For the purpose of determining the scope of process-level control assessment, 1 business location was selected as "Significant Business Locations", which comprises the Company and its consolidated subsidiaries selected in descending order based on previous fiscal year's consolidated net sales (after elimination) and contributed approximately two-thirds of the Company's consolidated net sales in the aggregate. Note that the management confirmed that the scope of internal control assessment was sufficient based on previous fiscal year's consolidated net sales. In such Significant Business Locations, all business processes related to the accounts that are closely associated with the Company's business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the Significant Business Locations, certain business processes related to significant accounts involving estimates and management's judgment and business processes on businesses or operations in which transactions involving significant risks are conducted were added to the scope of assessment as "business processes with material impacts on financial reporting."

3. Assessment Result

Based on the above mentioned assessment results, the management concluded that the internal control over financial reporting of the Group at the end of this fiscal year was effective.

4. Supplementary Information

None

5. Special Affairs

None