

Note: This English document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail. Tosei Corporation assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.



[Translation]

April 25, 2023

To Whom It May Concern

Tosei Corporation
President and CEO: Seiichiro Yamaguchi
Securities code: 8923 (Tokyo Stock Exchange, Prime Market)
Securities code: S2D (Singapore Exchange, Main Board)
Contact: Noboru Hirano, Director and CFO
TEL: +81-3-5439-8807

Notice Regarding Disposal of Treasury Shares through a Third-Party Allotment

Tosei Corporation (“Tosei”) hereby announces that its Board of Directors has resolved at a meeting held on April 25, 2023, to conduct a disposal of treasury shares through a third-party allotment as follows.

1. Disposal Procedure

(1) Date of disposal	May 12, 2023 (Schedule)
(2) Number of shares to be disposed	Ordinary share 1,000,000 shares
(3) Disposal price	¥1,538 per share
(4) Amount of funds to be raised	¥1,538,000,000
(5) Method of offering or	Disposal through a third-party allotment
(6) Planned allottee (Planned disposal recipient)	Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership
(7) Others	We have filed a securities registration statement for the Disposal of Treasury Shares. The disposal is subject to the registration coming into effect pursuant to the Financial Instruments and Exchange Act.

2. Objectives and reasons for the disposal

The Company holds 1,472,022 shares of treasury shares as of March 31, 2023, to raise the level of shareholder return and improve capital efficiency, enabling the Company to flexibly execute capital policies that responds to changes in the business environment. The Disposal of Treasury Shares shall be conducted based on a resolution at a meeting of the Board of Directors held on April 25, 2023, with the utilization of treasury shares held for purposes such as ensuring capital policy flexibility.

Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership, the planned allottee of the Disposal of Treasury Shares, is a fund structured by Kiraboshi Capital Co., Ltd., a wholly-owned company of Tokyo Kiraboshi Financial Group, Inc. (hereinafter, the corporate group including this company is referred to as the “Kiraboshi Group”). Kiraboshi Group is a community based financial group that enriches the businesses and livelihoods of small and medium-sized enterprises and individual customers in the Tokyo metropolitan area. The group provides not only financial intermediary services but also various integrated services such as support for business startups, business matching, M&A related services, and business succession support through the collaborative efforts of its group companies. The Tosei Group (“Group”) is an integrated real estate company that operates six businesses—Revitalization Business, Development Business, Fund and Consulting Business, Rental Business, Property Management Business, and Hotel Business—with the Tokyo

metropolitan area as its main investment area. The Group develops its business by providing a wide range of products, from new and pre-owned properties, small and medium-sized properties to large-sized properties, to a diverse clientele of funds, general business companies, and high net-worth individuals. The two groups, which have a high affinity in terms of business areas and customer base, have engaged in extensive transactions as closely-held banks including in borrowings for individual investment projects of the Company and its affiliates as well as through collaboration in the Crowdfunding Business.

The Company recently received a proposal from the Kiraboshi Group to acquire the treasury shares held by the Company with an aim to build a long-term, stable cooperative relationship and further strengthen collaboration with the Company. In response to this proposal, the Company has been working together with the Kiraboshi Group to collaborate in business matching and referrals for property purchasing in the Revitalization Business, Development Business, and Rental Business and has pursued initiatives in M&A-related business matching and such. And in April 2023, the Company received a new line of credit (overdraft) with a maximum borrowing limit of 10.0 billion yen. The establishment of this overdraft line of credit will strengthen the existing cooperative framework between the Company and the Kiraboshi Group and will contribute to the Company's flexible and stable financing.

The Company has come to the conclusion that the Disposal of Treasury Shares will contribute to the long-term and stable collaborative relationship with the Kiraboshi Group, which in turn will lead to the continual profit growth and increase in corporate value of the Company. In addition, the Company has judged that it is reasonable to dispose of treasury shares through a third-party allotment from the viewpoint of effective utilization of treasury shares.

3. Amount of funds to be procured, planned use of funds, and planned timing of expenditures

(1) Amount of funds to be procured

(1)	Total amount to be paid in	¥1,538,000,000
(2)	Estimated issuance expenses	¥4,000,000
(3)	Estimated net proceeds	¥1,534,000,000

- (Notes)
- Estimated issuance expenses do not include amounts such as consumption tax.
 - Estimated issuance expenses mainly include advisor fees and the cost of preparing documents for securities registration statements.

(2) Planned use of funds

	Specific usage	Amount	Planned payment period
(1)	Funds for acquisition and rehabilitation of office buildings and residential properties in Japan for the Revitalization Business	¥935,000,000	From May to November 2023
(2)	Funds for acquisition and development of land and other assets for construction of office buildings, residential and commercial properties in Japan for the Development Business	¥599,000,000	From May to November 2023

- (Notes)
- In the Revitalization Business, The Company acquires office buildings, commercial facilities, rental apartments and other properties whose asset value has declined in many different ways. The Company then examines renovation plans for the acquired properties in consideration of the characteristics of the area and tenants' needs and renovates them in the ways that it considers optimal. The Company sells the revitalized properties to investors, real estate funds, companies that buy properties for their own use and other entities.
 - In the Development Business, the Company acquires land. The Company then develops the land and builds new buildings to maximize the value of land in consideration of the area, shape, uses, needs, rents, sales prices and other factors. The Company then sells whole buildings or parts of buildings.
 - The amounts and the timing of expenses for each of the uses described above are Company's current estimates based chiefly on the historical data of the Company's Revitalization Business and Development Business. Properties for which proceeds will be used are not necessarily determined at the present time. Actual amounts and the timing of expenses for each use may be different from the above due to circumstances including future status of the acquisition of properties. The Company does not plan to use the proceeds for any uses other than those stated above.

4. Basic stance on rationality of use of funds

The Company believes that the use of the funds to be procured for the use described in "3. Amount of funds to be procured, planned use of funds, and planned timing of expenditures, (2) Planned use of funds" in above will contribute to the enhancement of its corporate value and expansion of its business performance, and therefore, the Company believes that this use of funds is reasonable and will contribute to the enhancement of medium- to long-term shareholder value.

5. Reasonableness of disposal conditions, etc.

(1) Basis for calculating the disposal amount and basic stance on rationality of issuing conditions

The Board of Directors has passed a resolution setting the disposal price at 1,538 yen per share, after discussions with the planned allottee, Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership, taking into consideration that the closing price of the Company's shares on the Tokyo Stock Exchange, Inc., on April 24, 2023, the business day immediately prior to the date of the resolution by the Board of Directors on the Disposal of Treasury Shares (hereinafter the "Date of Resolution of the Board of Directors"), was 1,538 yen. The closing price on the business day immediately prior to the Date of Resolution of the Board of Directors was taken into consideration due to being the market share price closest to the Date of Resolution of the Board of Directors, which is considered to be highly objective and reasonable as a basis for the calculation. The 1,538 yen disposal price is same as the 1,538 yen closing price of ordinary shares in the Company on the business day immediately preceding the Date of Resolution of the Board of Directors (April 24, 2023), obtained by applying a 3.6% premium to 1,484 yen (rounded down to the nearest yen), which is the simple average closing price of ordinary shares in the Company during the most recent one-month period preceding the Date (from March 27, 2023 to April 24, 2023), by applying a 4.9% premium to 1,466 yen (rounded down to the nearest yen), which is the simple average closing price of ordinary shares in the Company during the most recent three-month period preceding the Date (from January 25, 2023 to April 24, 2023), or by applying a 7.3% premium to 1,434 yen (rounded down to the nearest yen), which is the simple average closing price of ordinary shares in the Company during the most recent six-month period preceding the Date (from October 25, 2022 to April 24, 2023). Therefore, the Company has concluded that the disposal price is not particularly favorable.

The Company also believes the amount to be paid to be reasonable given that the disposal price is based on the Japan Securities Dealers Association's Guidelines for Handling of Allotment of New Shares to Third Party, etc. (April 1, 2010).

(2) Basic stance on rationality of the disposal quantity and the scale of share dilution

The number of shares planned to be allotted through the Disposal of Treasury Shares is 1,000,000 shares, which represents 2.05% (2.12% on a voting right basis) of the total 48,683,800 shares (472,474 voting rights) issued by the Company as of November 30, 2022. Therefore, the Company believes that the dilution of shares and the impact on the secondary market will be limited. Furthermore, the Company deems that expanding business opportunities by sharing information on investment and the like or otherwise pursuing business collaboration with the Kiraboshi Group as well as strengthening its fund-raising capabilities such as by establishing overdraft facility arrangements would contribute to increasing its corporate value and, in turn, lead to enhanced shareholder value over the medium to long term; therefore it has judged that the number of shares to be disposed of and the scale of dilution of shares due to the Disposal of Treasury Shares are reasonable.

6. Reasons for selecting the allottee

(1) Outline of planned allottee

(1)	Name	Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership
(2)	Address	3-10-43 Minami-aoyama, Minato-ku, Tokyo, Japan
(3)	Governing law of incorporation	Limited Partnership Act for Investment (Act No. 90 of 1998, including subsequent amendments)
(4)	Purpose of the incorporation	Structured to make equity investments to support the restructuring of business models, business reorganization, and the like of customers of Kiraboshi Bank, Ltd. customers who are affected by changes in the industrial structure.

(5)	Date of incorporation	November 6, 2020	
(6)	Total amount of contribution	10,010.00 million yen	
(7)	Outline of investors and investment ratio	Investment contributions were made by Kiraboshi Capital Co., Ltd., an unlimited liability partner (0.1% investment ratio), and Kiraboshi Bank, Ltd., a limited liability partner (99.9% investment ratio).	
(8)	Outline of the operating partner	Name	Kiraboshi Capital Co., Ltd.
		Address	3-10-43 Minami-aoyama, Minato-ku, Tokyo, Japan
		Title and name of representative	Nobuo Jinnai, President
		Business operations	(1) Acquisition and holding of securities (2) Investment and management of investment partnership assets (3) Comprehensive consulting on company management (4) Provision of management information and mediation of corporate mergers and partnerships (5) Provision of credit including loans and debt guarantees (6) Any business incidental or related to the preceding items
		Capital	75 million yen
(9)	Relationship between the Company and the planned allottee	Relationship between the Company and the planned allottee	Not applicable.
		Relationship between the Company and the operating partner of planned allottee	Not applicable.

Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership, the planned allottee, is a fund structured by Kiraboshi Capital Co., Ltd., a wholly-owned company of Tokyo Kiraboshi Financial Group, Inc. The limited liability partner (LP), Kiraboshi Bank, Ltd., and the unlimited liability partner (GP), Kiraboshi Capital Co., Ltd., of the planned allottee are both wholly-owned subsidiaries of Tokyo Kiraboshi Financial Group, Inc., a company listed on the Prime Market of the Tokyo Stock Exchange, Inc., and both partners conduct business activities following the regulations of the said stock exchange, which requires compliance with laws and regulations. In addition, as a bank licensed under the Banking Act, Kiraboshi Bank, Ltd. is subject to regulations under the said Act and to supervision by the Financial Services Agency, the supervisory authority. Accordingly, the Company has concluded that the parties involved in the planned allottee have no relationship with anti-social forces such as organized crime groups, and has submitted a written confirmation to that effect to the Tokyo Stock Exchange, Inc.

(2) Reason for selecting the allottee

The Company has selected the allottee for the purpose of establishing a long-term and stable cooperative relationship with the Kiraboshi Group, as described in "2. Objectives and reasons for the disposal" above.

(3) Policy on holding share certificates, etc.

The Company has orally confirmed that the planned allottee recognizes the purpose of the share acquisition through the Disposal of Treasury Shares is to invest in supporting the further enhancement of the Company's corporate value and that the allottee intends to hold the shares over the long term, and has agreed with the planned allottee that the allottee shall not sell shares in the Company for two years from the payment due date.

In addition to the above, the Company intends to acquire a pledge from the planned allottee to the effect that, if the planned allottee transfers some or all of the shares in the Company acquired through the Disposal of Treasury Shares during the two years from the payment due date, the planned allottee agrees with immediately reporting the details of the transfer in writing to the Company, the Company's reporting the details of such report to the Tokyo Stock Exchange, Inc., and the details of the report being made available for public inspection.

(4) Confirmation of existence of assets needed by the planned allottee for payment

The Company has received the investment certificates from Kiraboshi Capital Co., Ltd. and Kiraboshi Bank, Ltd. confirming the provision of funds to Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership. By confirming these documents, the Company has confirmed that the planned allottee has committed to investing the funds necessary for the payment of the Disposal of Treasury Shares and has judged that the planned allottee has sufficient and necessary funds to make the payment for the Disposal of Treasury Shares.

7. Major shareholders and their shareholding ratios after the disposal

As a result of this disposal of treasury stock, the status of major shareholders will be as follows.

Name of shareholder	Before the disposal		After the disposal	
	Number of shares held (shares)	Percentage of the number of voting rights held in the total number of voting rights (%)	Number of shares held (shares)	Percentage of the number of voting rights held in the total number of voting rights (%)
Seiichiro Yamaguchi	12,885,500	27.27	12,885,500	26.71
Zeus Capital Limited	6,000,000	12.70	6,000,000	12.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,296,900	9.09	4,296,900	8.91
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1,813,502	3.84	1,813,502	3.76
Custody Bank of Japan, Ltd. (Trust Account)	1,350,000	2.86	1,350,000	2.80
SMBC Nikko Securities Inc.	1,184,000	2.51	1,184,000	2.45
Hirotoshi Deguchi	1,030,000	2.18	1,030,000	2.13
Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership	—	—	1,000,000	2.07
Government of NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	965,350	2.04	965,350	2.00
STATE STREET BANK AND TRUST COMPANY 505303 (Standing proxy: Mizuho Bank, Ltd., Settlement & Cleaning Services Division)	554,300	1.17	554,300	1.15
Aozora Bank, Ltd.	502,900	1.06	502,900	1.04
Total	30,582,452	64.73	31,582,452	65.46

- (Notes)
1. Figures stated above are based on the shareholder registry as of November 30, 2022.
 2. The “percentage of the number of voting rights held in the total number of voting rights” before the disposal and the “percentage of the number of voting rights held in the total number of voting rights” after the disposal have been rounded to the second decimal place.
 3. In addition to the above, the 1,424,122 treasury shares held by the Company will be reduced to 424,122 shares after the disposal. However, this number does not include the number of treasury shares acquired or disposed of after November 30, 2022.
 4. The percentage of the number of voting rights held in the total number of voting rights after the disposal is calculated by dividing the number of voting rights pertaining to the shares held after the disposal by 482,474, which is the number obtained by adding the number of voting rights to be increased as a result of the Disposal of Treasury Shares (10,000) to the total number of voting rights as of November 30, 2022 (472,474).

8. Future Outlook

The Disposal of Treasury Shares is not expected to impact Tosei’s consolidated business performance.

9. Procedures in compliance with the Code of Corporate Conduct

Since this third-party allotment 1) involves a dilution ratio of less than 25% and 2) does not involve any change in the controlling shareholder (no change in the controlling shareholder is expected even if all of

the subscription warrants or acquisition rights are exercised), procedures for the receipt of the opinion of a third-party who is independent from the management and the confirmation of the intent of shareholders, as provided by Rule 432 of the Securities Listing Regulations prescribed by the Tokyo Stock Exchange, Inc., are not necessary.

10. Business results and equity finance for the past three years

(1) Results for the past three years (consolidated)

	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022
Revenue	¥63,939 million	¥61,726 million	¥70,953 million
Operating profit	¥6,427 million	¥10,965 million	¥13,514 million
Profit before tax	¥5,901 million	¥10,302 million	¥12,753 million
Profit for the year attributable to owners of the parent	¥3,602 million	¥6,721 million	¥8,607 million
Basic earnings per share	¥76.05	¥142.56	¥181.66
Dividends per share	¥19.00	¥38.00	¥51.00
Equity per share attributable to owners of the parent	¥1,250.00	¥1,380.36	¥1,529.65

(2) Number of shares outstanding and number of potential shares as of November 30, 2022

	Number of shares	Ratio to the number of shares issued
Number of shares outstanding	48,683,800 shares	100%
Number of potential shares at current conversion price (exercise price)	430,300 shares	0.88%
Number of potential shares at minimum conversion price (exercise price)	— shares	-%
Number of potential shares at maximum conversion price (exercise price)	— shares	-%

*The number of potential shares above are all due to stock options.

(3) Recent share price performance

a. Performance for the three most recent years

	Fiscal year ended Nov. 30, 2020	Fiscal year ended Nov. 30, 2021	Fiscal year ended Nov. 30, 2022
Opening price	¥1,329	¥1,192	¥976
High	¥1,572	¥1,258	¥1,506
Low	¥782	¥950	¥952
Closing price	¥1,163	¥963	¥1,402

b. Performance for the six most recent months

	October	November	December	January	February	March
Opening price	¥1,375	¥1,425	¥1,391	¥1,366	¥1,487	¥1,476
High	¥1,456	¥1,506	¥1,470	¥1,488	¥1,501	¥1,537
Low	¥1,310	¥1,391	¥1,308	¥1,334	¥1,420	¥1,378
Closing price	¥1,422	¥1,402	¥1,366	¥1,479	¥1,474	¥1,472

c. Share price on the business day prior to the date of resolution of the issuance

	April 24, 2023
Opening price	¥1,533
High	¥1,549
Low	¥1,531
Closing price	¥1,538

(4) Equity finance for the three most recent years

Disposal of Treasury Shares through a Third-Party Allotment

Payment date	September 30, 2021
Amount of funds raised	¥1,199,950,000
Disposal price	¥1,165 per share
Number of shares outstanding as of the time of the offering	48,683,800 shares
Number of shares disposed	Ordinary share 1,030,000 shares
Number of Shares outstanding after Offering	48,683,800 shares
Disposal recipient (allottee)	Hirotooshi Deguchi
Initial use of funds at the time of the issuance	The Disposal of Treasury Shares was made through contribution in kind with ordinary shares in ICOMPANY, inc. as consideration, and there is no monetary payment involved.
Planned payment period as of the time of the offering	Not applicable.
Allocations currently	Not applicable.