

Quarterly Securities Report

(The English translation of the “Shihanki-Houkokusho”
for the second quarter of the 74th term)

from March 1, 2023
to May 31, 2023

TOSEI CORPORATION

4-5-4, Shibaura, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on July 7, 2023. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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[Quarterly Review Report of Independent Auditors]

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Company name (English):	TOSEI CORPORATION
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	73rd term First six months	74th term First six months	73rd term
Accounting period	From December 1, 2021 to May 31, 2022	From December 1, 2022 to May 31, 2023	From December 1, 2021 to November 30, 2022
Revenue (¥ thousand) [Second quarter of the current fiscal year]	43,552,312 [17,236,594]	52,861,365 [21,809,034]	70,953,486
Profit before tax (¥ thousand)	9,000,732	12,072,944	12,753,538
Profit attributable to owners of parent (¥ thousand) [Second quarter of the current fiscal year]	6,107,254 [2,482,152]	8,164,135 [3,747,427]	8,607,088
Comprehensive income attributable to owners of parent (¥ thousand)	6,222,635	8,046,548	8,784,368
Total equity (¥ thousand)	69,886,043	79,578,903	72,290,677
Total assets (¥ thousand)	199,129,001	224,553,101	210,955,801
Basic earnings per share (¥) [Second quarter of the current fiscal year]	128.56 [52.41]	172.35 [78.91]	181.66
Diluted earnings per share (¥)	128.46	172.00	181.33
Ratio of equity attributable to owners of the parent to total assets (%)	35.1	35.4	34.3
Net cash from (used in) operating activities (¥ thousand)	7,958,940	14,498,157	(197,084)
Net cash from (used in) investing activities (¥ thousand)	(6,186,394)	(4,305,359)	(9,081,101)
Net cash from (used in) financing activities (¥ thousand)	(1,027,268)	2,083,571	7,477,196
Cash and cash equivalents at end of period (¥ thousand)	34,311,177	44,044,834	31,767,008

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

2. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the six months ended May 31, 2023, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

Changes to major associates include the acquisition of shares of Shibaura Residential Co., Ltd., the establishment of Tachikawa Daikokuya Limited Liability Company, and its inclusion in the scope of consolidation in the three months ended February 28, 2023.

During the six months ended May 31, 2023, the Company acquired shares of Usui Kigata Kogyo K.K. and acquired equity in the silent partnership of TREC MARS LLC. The Company also included Daikokuya LLC, whose shares were acquired by Tachikawa Daikokuya LLC, in its scope of consolidation.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the six months ended May 31, 2023. In addition, there were no significant changes in “Business and other risks” described in the annual securities report for the previous fiscal year.

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

Forward-looking statements included in this section are judged by information available to the Group’s management as of May 31, 2023.

(1) Recognition, analysis and contents for discussions of the Group’s operating results from the viewpoint of management

1) Recognition, analysis and contents for discussion of business environment and business performance

During the six months ended May 31, 2023, the Japanese economy showed signs of moderate recovery, as it took the path of coexistence with COVID-19 and economic activities returned to normal. Meanwhile, concerns have been raised over the risk of a slowdown of the global economy reflecting the prolonged Russian invasion of Ukraine and the global credit tightening, as well as the risk of a downturn in the economy due to high crude oil prices and rising consumer prices, and it will be necessary to monitor economic trends going forward.

In the real estate industry where Tosei Group operates, domestic real estate investments for the three months from January to March 2023 increased 61% year on year to ¥1,174.8 billion, ranking second in the world for real estate investment by city (ranked 16th for the full year of 2022). Despite the global uncertainty surrounding banks and the unpredictability of the financial markets, the general preference for Japanese real estate backed by a low-interest rate environment and the weak yen continues, and expectations are high for even more transactions in the latter half of 2023 (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 April 2023 decreased by 20.1% year on year to 6,660 units due to the developers adjusting their supplies as a result of the continuing high prices of land lots and rising construction costs. Prices continue to rise with the average price per unit at ¥77.47 million (up 23.1% year on year) in April 2023, as the high-priced condominiums in the center of Tokyo drive up prices and the city centers make a return in general residential preference. In the Tokyo metropolitan area pre-owned condominium market, while the number of units contracted from January to April 2023 declined slightly by 1.5% year on year to 12,217 units, the market is booming as indicated by the continuing high level of prices with the average price per unit at ¥42.01 million (up 5.0% year on year). Additionally, in the build-for-sale detached house market, housing starts for the four months from January to April 2023 remained strong at 19,000 units (up 1.2% year on year) (according to a survey by a private research institute).

The average costs per tsubo in terms of construction costs for the four months from January to April 2023 were ¥1,145 thousand per tsubo (1 tsubo = 3.30 square meters) (a decrease of 15.7% year on year) for steel reinforced concrete structures and ¥620 thousand per tsubo (an increase of 8.0% year on year) for wooden structures. In terms of the prices of building materials, while steel prices remain high, the price of timber, which had previously skyrocketed as a result of the “wood shock,” has been gradually coming down (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 April 2023 was 6.1% (a decrease of 0.3 percentage points year on year), and the average asking rent was ¥19,896 per tsubo (a decrease of 2.1% year on year). Although the vacancy rate seems to have bottomed out, the declining trend in rent continues. As a massive supply of new and large office buildings is also expected in the second half of the year, it remains necessary to continue monitoring market trends (according to a survey by a private research institute).

The condominium leasing market remained robust and the average asking rent of apartments in the Tokyo metropolitan area as of April 2023 was ¥11,550 per tsubo (an increase of 3.7% year on year) and the average occupancy rate at condominiums held by J-REIT in the Tokyo Area as of January 31, 2023 was 96.6% (an increase of 0.1 percentage points year on year). Demand for apartments in the Tokyo metropolitan area remains high and the rent and occupancy rates have begun to rise at a moderate pace.

Additionally, apartments for singles, which had been in low demand during the COVID-19 pandemic, are also showing signs of recovery (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock as of April 2023 was 8.90 million tsubo (an increase of 15.7% year on year), the vacancy rate was 5.4% (an increase of 2.5 percentage points year on year), and the asking rent was ¥4,600 per tsubo (a decrease of 1.1% year on year). While the vacancy rate is currently rising due to the increase in the supply of new facilities, demand for logistics facilities remains solid, and in the medium to long term, an increase in demand is expected in conjunction with the expanding e-commerce market (according to a survey by a private research institute).

The real estate fund market remains robust, and the market scale continues to expand. J-REIT assets under management in April 2023 totaled ¥22.2 trillion (an increase of ¥0.6 trillion year on year) and assets under management in private placement funds totaled ¥29.7 trillion (as of December 31, 2022, an increase of ¥5.6 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥51.9 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, in the three months from January to March 2023, the average guest room occupancy rate was 74.4% (an increase of 27.3 percentage points year on year) and the total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 21.02 million (an increase of 90.4% year on year). Domestic demand is on pre-COVID-19 levels and given the increase in inbound demand, further market recovery is expected going forward (according to a survey by the Japan Tourism Agency).

As a result, consolidated revenue for the six months ended May 31, 2023 totaled ¥52,861 million (up 21.4% year on year), operating profit was ¥12,516 million (up 33.8%), profit before tax was ¥12,072 million (up 34.1%), and profit attributable to owners of the parent was ¥8,164 million (up 33.7%).

Performance by business segment is shown below.

Revitalization Business

During the six months ended May 31, 2023, the segment sold 26 properties it had renovated and 64 pre-owned condominium units, including Otsuka Tosei Building II (Toshima-ku, Tokyo), Kashiwa Tosei Building (Kashiwa-shi, Chiba), Stellar Court Higashi-kojiya (Ota-ku, Tokyo).

During the six months ended May 31, 2023, it also acquired a total of 31 income-generating office buildings, rental apartments, 10 land lots and 47 pre-owned condominium units.

In addition, the Group reviewed the valuation of its income-generating properties, recording a reversal of Inventories valuation loss of ¥344 million.

As a result, revenue in this segment was ¥34,017 million (up 17.5% year on year) and the segment profit was ¥7,165 million (up 18.1%).

Development Business

During the six months ended May 31, 2023, the segment sold THE PALMS Machida (Machida-shi, Tokyo) which is a rental apartment and sold 44 detached houses at such properties as THE Palms Court Mitaka Veil (Mitaka-shi, Tokyo) and THE Palms Court Tsunashima (Yokohama-shi, Kanagawa).

During the six months ended May 31, 2023, it also acquired five land lots for rental apartment project, two land lots for rental wooden apartment project, a land lot for condominium project and land lots for 141 detached houses.

As a result, revenue in this segment was ¥6,396 million (up 26.5% year on year) and the segment profit was ¥1,296 million (up 62.6% year on year).

Rental Business

During the six months ended May 31, 2023, the Company focused on leasing out its rental properties.

As of May 31, 2023, the number of rental properties increased by 11 from 91 at the end of the previous fiscal year to 102, as the segment acquired 30 properties, and begin offering for rental of three properties, sold 20 properties, and terminated the leasing of two properties.

As a result, revenue in this segment was ¥3,164 million (up 9.7% year on year) and the segment profit was ¥1,525 million (up 5.4%).

Fund and Consulting Business

During the three months ended May 31, 2023, while ¥118,235 million was subtracted due mainly to property dispositions by funds, ¥729,567 million added due to new asset management contracts, from the balance of assets under management (Note) ¥1,722,896 million for the end of the previous fiscal year. The balance of assets under management as of May 31, 2023, was ¥2,334,229 million.

As a result, revenue in this segment was ¥4,185 million (up 54.4% year on year) and the segment profit was ¥2,978 million (up 69.1%).

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

Property Management Business

During the six months ended May 31, 2023, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 841 as of May 31, 2023, an increase of 64 from May 31, 2022, with the total comprising 503 office buildings, hotels, logistic facilities and other such properties, and 338 condominiums and apartments.

As a result, revenue in this segment was ¥3,276 million (up 4.8% year on year) and segment profit was ¥518 million (down 5.0%).

Hotel Business

During the six months ended May 31, 2023, domestic demand recovered as a result of the lifting of movement restrictions and the implementation of nationwide travel subsidies, while inbound demand also showed signs of recovery due to the easing of border control restrictions and border measures. In conjunction, guest room rates and occupancy rates improved to levels comparable to pre-COVID-19 times and both revenue and segment profit exceeded that of the same period of the previous fiscal year.

As a result, revenue in this segment was ¥1,821 million (up 121.7% year on year) and segment profit was ¥475 million (in comparison with segment loss of ¥259 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

In the domestic real estate investment market, which is the Group's mainstay market, despite the weakening of the previously-robust investment stance of real estate investors in Europe, the U.S., and South Korea due to rising interest rates reflecting the global trend toward inflation, domestic and Asian investors continued to demonstrate strong demand and transactions remained solid. Furthermore, with the downgrading of COVID-19's category to Class 5, there has been a greater movement of people resulting in a return of workers to the office and the recovery of accommodation demand.

Under such operating environment, for the six months ended May 31, 2023, the Group reported consolidated revenue of ¥52.8 billion (up 21.4% year on year), operating profit of ¥12.5 billion (up 33.8% year on year), and profit before tax of ¥12.0 billion (up 34.1% year on year). Significant progress was made against the full-year forecast, achieving 62.2% based on revenue and 86.2% based on profit before tax.

As for the operating segments, the transaction business drove the Group's overall profit, including the strong sales of whole buildings and pre-owned condominium units in the Revitalization Business and the upswing in the sales of rental apartments in the Development Business. Additionally, in the Stock and Fee Business, the Company's stable source of income, the Rental Business and the Property Management Business progressed as planned. In the Hotel Business, which is showing signs of a strong recovery, improvement in both guest room rates and occupancy rates exceeded the Company's expectations, leading to a significant upward swing compared to the initial plan. Furthermore, in the Fund and Consulting Business, profits grew as a result of capturing disposition fees and acquisition fees related to the sales of fund properties under management and the balance of assets under management reached ¥2.3 trillion (an increase of ¥611.3 billion from the end of the previous fiscal year).

The Company is engaged in initiatives to reform the Group's business and improve business efficiency through the promotion of DX. To this end, it has decided to establish "TOSEI PROP TECH Co., Ltd.," a new company to support the Group's real estate DX divisions.

The Company intends to accelerate its DX-driven initiatives including the business of issuing real estate-backed security tokens, which had been the subject of ongoing demonstration trials, expanding services of real estate cloud funding scheme, and the launch of a direct-sales business of condominium units through

the utilization of digital technology in the new company.

(2) Analysis of Financial Positions

As of May 31, 2023, total assets were ¥224,553 million, an increase of ¥13,597 million compared with November 30, 2022, while total liabilities were ¥144,974 million, an increase of ¥6,309 million.

Increase in total assets were due to an increase in Cash and cash equivalents and inventories despite a decrease in Trade and other receivables. Increase in total liabilities were due to an increase in trade and other payables and interest-bearing liabilities.

Total equity increased by ¥7,288 million to ¥79,578 million, mainly due to an increase in retained earnings, payment of cash dividends, purchase of treasury shares and disposal of treasury shares.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of May 31, 2023 totaled ¥44,044 million, up ¥12,277 million compared with November 30, 2022.

The cash flows for the six months ended May 31, 2023 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥14,498 million (up 82.2% year on year). This is mainly due to profit before tax of ¥12,072 million, a decrease in Trade and other receivables of ¥5,159 million and income taxes paid of ¥2,817 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥4,305 million (down 30.4% year on year). This is primarily due to payments for acquisition of subsidiaries of ¥2,453 million etc.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥2,083 million (in comparison with segment net cash used in financing activities of ¥1,027 million in the same period of the previous fiscal year). This mainly reflects ¥29,869 million in the proceeds from non-current borrowings, despite ¥23,988 million in repayments of non-current borrowings and ¥2,407 million in cash dividends paid.

(4) Operational and financial issues to be addressed

During the six months ended May 31, 2023, there was no significant change in issues to be addressed by the Tosei Group.

The Group has set the basic policy regarding the persons who control the decision-making on the financial and business policies of the Company, but there have been no material changes during the cumulative quarter after the date of submission of the securities report in the previous fiscal year.

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

No important operational contracts, etc. were determined or entered into during the second quarter of the fiscal year under review.

III. Filing company

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

(1) Total number of authorized shares, etc.

1) Total number of authorized shares

Class	Total number of authorized shares
Ordinary shares	150,000,000
Total	150,000,000

2) Number of shares issued

Class	Number of issued shares (Shares: as of May 31, 2023)	Number of issued shares (Shares: as of the date of filing: July 7, 2023)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (Prime Market), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,683,800	48,683,800	—	—

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

2) Details of other stock acquisition rights, etc.

No item to report.

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

No item to report.

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

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From March 1, 2023 to May 31, 2023	—	48,683,800	—	6,624,890	—	6,708,366

(5) Status of major shareholders

(As of May 31, 2023)

Name of shareholder	Address	Number of shares held (Share)	Ownership percentage to the number of issued shares (excluding treasury stock) (%)
Seiichiro Yamaguchi	Shibuya-ku, Tokyo, Japan	12,885,500	26.68
Zeus Capital Limited	2-22-26-103 Uehara, Shibuya-ku, Tokyo, Japan	6,000,000	12.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	4,218,500	8.73
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)	1,822,502	3.77
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,464,900	3.03
Government of NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	1,183,800	2.45
Hirotochi Deguchi	Minato-ku, Tokyo, Japan	1,030,000	2.13
Kiraboshi Capital Tokyo Sparkle Investment Limited Partnership	3-10-43, Minami-Aoyama, Minato-ku, Tokyo, Japan	1,000,000	2.07
STATE STREET BANK AND TRUST COMPANY 505004 (Standing proxy: Mizuho Bank, Ltd., Settlement & cleaning Services Division)	VICTORIA CROSS NORTH SYDNEY 2060 AUSTRALIA (2-15-1, Konan, Minato-ku, Tokyo, Japan)	668,900	1.38
RBC IST 15 PCT NON LENDING ACCOUNT – CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	7 TH FLOOR, 155 WELLINGTON STREET WEST TORONTO, ONTARIO, KANADA, M5V 3L3 (6-27-30 Shinjuku, Shinjuku-ku, Tokyo, Japan)	595,290	1.23
Total	–	30,869,392	63.92

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

2. The number of shares of treasury shares (393,422 of shares) is not included in the chart above.

3. The large shareholding report, which was made accessible to the public as of April 21, 2023, states that Grantham, Mayo, Van Otterloo & Co. LLC held the following shares as of April 14, 2023. 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 Otterloo & Co. LLC
Address	53 State Street, Suite3300, Boston, Massachusetts 02109, U.S.A.
Number of share certificates, etc. held (shares)	2,452,200
Holding ratio of share certificates, etc. (%)	5.04

(6) Status of voting rights

1) Issued shares

(As of May 31, 2023)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 393,400	–	–
Shares with full voting rights (Other)	Ordinary shares 48,276,600	482,766	–
Shares less than one unit	Ordinary shares 13,800	–	–
Total number of issued shares	48,683,800	–	–
Voting rights owned by all shareholders	–	482,766	–

Note: 1. The number of “Shares with full voting rights (Other)” includes 400 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 4 units of voting rights related to shares with full voting rights in its name.

2. Number of ordinary shares in “Shares less than one unit” includes 22 shares of treasury shares.

2) Treasury shares, etc.

(As of May 31, 2023)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
(Treasury shares held) TOSEI CORPORATION	4-5-4, Shibaura, Minato-ku, Tokyo, Japan	393,400	–	393,400	0.80
Total	–	393,400	–	393,400	0.80

Note: At the Board of Directors’ meeting held on April 25, 2023, the Company resolved to conduct a disposal of treasury shares through a third-party allotment and completed the disposal of treasury shares through a third-party allotment. As a result of this disposal, treasury shares decreased by 1,000,000 shares. In addition, the number of shares decreased by 78,600 shares due to the exercise of stock acquisition rights. As a result, the number of treasury shares as of May 31, 2023 stands at 393,422 shares.

2. Status of Officers

There was change in Officers during the six months ended May 31, 2023 after the filing date of annual securities report for the previous fiscal year is as follows.

Change of position

New Post	Old Post	Name	Date of Change
CFO and Senior Executive Officer of Administrative Division	CFO and Senior Executive Officer of Administrative Division in charge of Human Resource Department	Noboru Hirano	March 1, 2023
Director, Managing Executive Officer, Deputy Chief of Administrative Division in charge of General Affairs Department and Human Resource Department	Director, Executive Officer in charge of Finance Department and General Affairs Department	Shunsuke Yamaguchi	March 1, 2023

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the second quarter of the fiscal year ending November 30, 2023 (from March 1, 2023 to May 31, 2023) and for the first six months of the fiscal year ending November 30, 2023 (from December 1, 2022 to May 31, 2023) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2022	As of May 31, 2023
Assets			
Current assets			
Cash and cash equivalents	10	31,767,008	44,044,834
Trade and other receivables	10	10,038,132	5,207,521
Inventories	6	95,303,762	101,183,316
Other current assets		22,640	23,136
Total current assets		137,131,544	150,458,808
Non-current assets			
Property, plant and equipment		22,963,356	23,095,985
Investment properties		39,864,258	40,279,897
Goodwill		1,401,740	1,401,740
Intangible assets		205,354	179,326
Trade and other receivables	10	1,457,809	1,394,936
Other financial assets	10	7,219,963	7,141,126
Deferred tax assets		698,518	580,120
Other non-current assets		13,254	21,159
Total non-current assets		73,824,257	74,094,292
Total assets		210,955,801	224,553,101
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	5,681,615	6,380,529
Interest-bearing liabilities	10	13,739,325	14,769,414
Current income tax liabilities		1,935,664	3,368,979
Provisions		1,079,970	632,796
Total current liabilities		22,436,575	25,151,719
Non-current liabilities			
Trade and other payables	10	3,612,629	3,673,035
Interest-bearing liabilities	10	111,108,220	114,307,683
Retirement benefits obligations		704,268	731,558
Provisions		15,449	34,584
Deferred tax liabilities		787,980	1,075,617
Total non-current liabilities		116,228,549	119,822,478
Total Liabilities		138,665,124	144,974,198
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,775,532	7,208,244
Retained earnings		60,029,994	65,783,886
Treasury shares		(1,533,670)	(429,922)
Other components of equity		393,929	276,342
Total equity attributable to owners of parent		72,290,677	79,463,442
Non-controlling interests		—	115,460
Total equity		72,290,677	79,578,903
Total liabilities and equity		210,955,801	224,553,101

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income
Six months ended May 31, 2023

(¥ thousand)

	Notes	Six months ended May 31, 2022	Six months ended May 31, 2023
Revenue	5,7	43,552,312	52,861,365
Cost of revenue		28,835,086	33,930,374
Gross profit		14,717,225	18,930,991
Selling, general and administrative expenses		5,679,284	6,565,234
Other income		325,234	166,777
Other expenses		5,292	16,343
Operating profit	5	9,357,882	12,516,190
Finance income		188,728	190,689
Finance costs		545,879	633,935
Profit before tax		9,000,732	12,072,944
Income tax expense		2,893,477	3,909,848
Profit for the period		6,107,254	8,163,096
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		89,194	(93,809)
Remeasurements of defined benefit pension plans		(8,544)	—
Subtotal		80,649	(93,809)
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		23,444	4,842
Net change in fair values of cash flow hedges		11,287	(28,619)
Subtotal		34,731	(23,777)
Other comprehensive income for the period, net of tax		115,381	(117,587)
Total comprehensive income for the period		6,222,635	8,045,509
Profit attributable to:			
Owners of parent		6,107,254	8,164,135
Non-controlling interests		—	(1,039)
Profit for the period		6,107,254	8,163,096
Total comprehensive income attributable to:			
Owners of parent		6,222,635	8,046,548
Non-controlling interests		—	(1,039)
Total comprehensive income for the period		6,222,635	8,045,509
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	128.56	172.35
Diluted earnings per share (¥)	9	128.46	172.00

Second quarter ended May 31, 2023

(¥ thousand)

	Notes	Second quarter ended May 31, 2022	Second quarter ended May 31, 2023
Revenue	5	17,236,594	21,809,034
Cost of revenue		11,014,960	12,781,943
Gross profit		6,221,634	9,027,091
Selling, general and administrative expenses		2,852,580	3,330,394
Other income		303,631	50,613
Other expenses		139	12,204
Operating profit	5	3,672,546	5,735,106
Finance income		184,946	186,797
Finance costs		277,257	337,004
Profit before tax		3,580,235	5,584,899
Income tax expense		1,098,083	1,838,511
Profit for the period		2,482,152	3,746,387
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		194,293	(48,916)
Subtotal		194,293	(48,916)
Other comprehensive income items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		18,647	4,547
Net change in fair values of cash flow hedges		4,717	(26,445)
Subtotal		23,365	(21,898)
Other comprehensive income for the period, net of tax		217,659	(70,815)
Total comprehensive income for the period		2,699,812	3,675,572
Profit attributable to:			
Owners of parent		2,482,152	3,747,427
Non-controlling interests		—	(1,039)
Profit for the period		2,482,152	3,746,387
Total comprehensive income attributable to:			
Owners of parent		2,699,812	3,676,611
Non-controlling interests		—	(1,039)
Total comprehensive income for the period		2,699,812	3,675,572
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	52.41	78.91
Diluted earnings per share (¥)	9	52.35	78.75

(3) Condensed Quarterly Consolidated Statement of Changes in Equity**Six months ended May 31, 2022 (December 1, 2021 – May 31, 2022)**

(¥ thousand)

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

Six months ended May 31, 2023 (December 1, 2022 – May 31, 2023)

(¥ thousand)

Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at December 1, 2022	6,624,890	6,775,532	60,029,994	(1,533,670)	393,929	72,290,677	—	72,290,677
Profit for the period			8,164,135			8,164,135	(1,039)	8,163,096
Other comprehensive income					(117,587)	(117,587)		(117,587)
Total comprehensive income for the period	—	—	8,164,135	—	(117,587)	8,046,548	(1,039)	8,045,509
Amount of transactions with owners								
Purchase of treasury shares		(2,619)		(113,831)		(116,451)		(116,451)
Disposal of treasury shares		435,332		1,217,580		1,652,912		1,652,912
Dividends of surplus	8		(2,410,243)			(2,410,243)		(2,410,243)
Change from newly consolidated subsidiary						—	116,500	116,500
Balance at May 31, 2023	6,624,890	7,208,244	65,783,886	△429,922	276,342	79,463,442	115,460	79,578,903

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Six months ended May 31, 2022	Six months ended May 31, 2023
Cash flows from operating activities			
Profit before tax		9,000,732	12,072,944
Depreciation expense		784,741	803,803
Increase (decrease) in provisions and retirement benefits obligations		(289,175)	(455,580)
Interest and dividend income		(188,728)	(190,689)
Interest expenses		545,879	633,935
Decrease (increase) in trade and other receivables		18,472	5,159,110
Decrease (increase) in inventories		2,038,981	(1,344,980)
Increase (decrease) in trade and other payables		(199,209)	405,697
Other, net		(252,262)	(109,042)
Subtotal		11,459,430	16,975,198
Interest and dividend income received		110,733	190,794
Income taxes paid		(3,611,223)	(2,817,483)
Income taxes refund		—	149,647
Net cash from (used in) operating activities		7,958,940	14,498,157
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,470)	(61,082)
Purchase of investment properties		(1,052,617)	(496,638)
Purchase of intangible assets		(24,508)	(17,576)
Payments of loans receivable		(434,300)	(1,219,000)
Collection of loans receivable		3,080	4,174
Purchase of other financial assets		(2,895,915)	(68,714)
Collection of other financial assets		363,270	5,255
Payments for acquisition of subsidiaries		(2,154,339)	(2,453,851)
Other, net		31,406	2,072
Net cash from (used in) investing activities		(6,186,394)	(4,305,359)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		1,084,000	(2,084,653)
Proceeds from non-current borrowings		20,440,050	29,869,725
Repayments of non-current borrowings		(19,394,045)	(23,988,379)
Redemption of bonds		(40,678)	(20,678)
Repayments of lease obligations		(212,353)	(218,749)
Capital contribution from non-controlling interests		—	116,500
Cash dividends paid		(1,815,748)	(2,407,851)
Purchase of treasury shares		(499,895)	(113,831)
Proceeds from disposal of treasury shares		22,132	1,653,690
Interest expenses paid		(610,729)	(722,198)
Net cash from (used in) financing activities		(1,027,268)	2,083,571
Net increase (decrease) in cash and cash equivalents		745,277	12,276,369
Cash and cash equivalents at beginning of period		33,560,679	31,767,008
Effect of exchange rate change on cash and cash equivalents		5,220	1,455
Cash and cash equivalents at end of period		34,311,177	44,044,834

(5) Notes on Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the “Company”) is a share company located in Japan whose shares are listed on the Prime Market of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company’s condensed quarterly consolidated financial statements for the second quarter (March 1, 2023 to May 31, 2023) and first six months (December 1, 2022 to May 31, 2023) have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the “Group”). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business, Property Management Business and Hotel Business. The operations of each business segment are presented in “5. Segment information” in the notes.

2. Basis of preparation

(1) Compliance with IFRS

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

These condensed quarterly consolidated financial statements were approved by Seichiro Yamaguchi, the Company’s President and CEO, and Noboru Hirano, Director and CFO, on July 6, 2023.

(2) Basis of measurement

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

(3) Presentation currency and unit amount

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

3. Significant accounting policies

Significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the condensed quarterly consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change will affect.

Effect of the spread of COVID-19 on accounting estimates

In determining accounting estimates regarding the valuation of inventory assets, impairment accounting for non-current assets, the recoverability of deferred tax assets, and other items, the Group has assumed that the spread of COVID-19 will exert a degree of impact on future income.

The Group considers that real estate markets other than commercial facilities are already recovering as of May 31, 2023. It predicts that the impact of COVID-19 on commercial facilities will persist for the time being, and that it will gradually recover toward November 30, 2023.

5. Segment information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance.

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", "Property Management Business" and "Hotel Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as rental apartments and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services. The Hotel Business provides mainly hotel operating services.

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

Six months ended May 31, 2022

(December 1, 2021 – May 31, 2022)

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

Six months ended May 31, 2023
(December 1, 2022 – May 31, 2023)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	34,017,017	6,396,938	3,164,786	4,185,181	3,276,386	1,821,054	—	52,861,365
Intersegment revenue	—	—	88,545	5,890	576,904	9,815	(681,156)	—
Total	34,017,017	6,396,938	3,253,331	4,191,071	3,853,291	1,830,869	(681,156)	52,861,365
Segment profit	7,165,048	1,296,086	1,525,334	2,978,306	518,285	475,610	(1,442,480)	12,516,190
Finance income/costs, net								(443,246)
Profit before tax								12,072,944

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

(¥ thousand)

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

Second quarter ended May 31, 2023
(March 1, 2023 – May 31, 2023)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue to external customers	10,299,980	4,644,255	1,608,183	2,529,381	1,689,821	1,037,411	—	21,809,034
Intersegment revenue	—	—	44,193	5,890	294,417	6,149	(350,651)	—
Total	10,299,980	4,644,255	1,652,377	2,535,271	1,984,239	1,043,561	(350,651)	21,809,034
Segment profit	2,103,867	1,080,265	766,095	1,917,592	255,126	333,436	(721,278)	5,735,106
Finance income/costs, net								(150,206)
Profit before tax								5,584,899

6. Inventories

The amount of loss on valuation of inventory and the amount of reversal of valuation loss recognized as expenses are as follows:

(¥ thousand)

	Six months ended May 31, 2022	Six months ended May 31, 2023
The amount of loss on valuation	6,377	3,297
The amount of reversal of valuation loss	606,515	344,663

7. Sales Revenue

Composition of revenue recognized from contracts with customers are as follows:

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; “Revitalization Business”, “Development Business”, “Rental Business”, “Fund and Consulting Business”, “Property Management Business” and “Hotel Business”.

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

Six months ended May 31, 2022

(December 1, 2021 – May 31, 2022)

(¥ thousand)

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

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

Six months ended May 31, 2023

(December 1, 2022 – May 31, 2023)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	34,017,017	6,395,375	—	—	—	—	40,412,393
Revenue from services	—	1,563	250,188	4,182,698	3,276,386	1,763,239	9,474,076
Revenue recognized from other sources	—	—	2,914,597	2,483	—	57,815	2,974,896
Revenue to external customers	34,017,017	6,396,938	3,164,786	4,185,181	3,276,386	1,821,054	52,861,365

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

8. Dividends

Dividends paid in the six months ended May 31, 2022 and May 31, 2023 are as follows:

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

Six months ended May 31, 2023				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 24, 2023	51	2,410,243	November 30, 2022	February 27, 2023

9. Earnings per Share

	Six months ended May 31, 2022	Six months ended May 31, 2023
Profit attributable to owners of parent (¥ thousand)	6,107,254	8,164,135
Net income used to figure diluted net income per share (¥ thousand)	6,107,254	8,164,135
Weighted average number of outstanding ordinary shares (shares)	47,504,621	47,370,964
The number of increased ordinary shares used to figure diluted earnings per share (shares)	36,332	96,331
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,540,953	47,467,295
Basic earnings per share (¥)	128.56	172.35
Diluted net income per share (¥)	128.46	172.00

	Second quarter ended May 31, 2022	Second quarter ended May 31, 2023
Profit attributable to owners of the parent (¥ thousand)	2,482,152	3,747,427
Net income used to figure diluted net income per share (¥ thousand)	2,482,152	3,747,427
Weighted average number of outstanding ordinary shares (shares)	47,360,578	47,489,478
The number of increased ordinary shares used to figure diluted earnings per share (shares)	55,688	98,286
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,416,266	47,587,764
Basic earnings per share (¥)	52.41	78.91
Diluted net income per share (¥)	52.35	78.75

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

10. Financial instruments

i) Fair values and book values

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

(¥ thousand)

	As of November 30, 2022		As of May 31, 2023	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	31,767,008	31,767,008	44,044,834	44,044,834
Trade and other receivables	8,977,304	8,977,304	3,877,787	3,877,787
Financial assets measured at fair value through other comprehensive income				
Other financial assets	7,219,963	7,219,963	7,141,126	7,141,126
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	7,428,561	7,428,561	8,029,847	8,029,847
Interest-bearing liabilities	124,847,546	124,832,181	129,077,098	129,063,780

Method for measuring fair value of financial instruments

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

The book values of these financial instruments that are settled in a short period of time approximate the fair values.

However, the fair values of interest rate swaps are based on market values presented by financial institutions.

Other financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method.

Non-current interest-bearing liabilities

The fair values of non-current borrowings with floating interest rate approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rate are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing.

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

ii) Fair value hierarchy

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

Level 1: Fair values measured at a price quoted in an active market

Level 2: Fair values calculated directly or indirectly using an observable price except for level 1

Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

(¥ thousand)

	As of November 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	7,054,562	40,317	125,083	7,219,963
Financial assets measured at fair values through profit or loss	—	63,749	—	63,749
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	3,580	—	3,580

	As of May 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	6,917,729	—	223,397	7,141,126
Financial assets measured at fair value through other comprehensive income (derivative)	—	24,794	—	24,794
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	5,989	—	5,989

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

(¥ thousand)

	Six months ended May 31, 2022	Six months ended May 31, 2023
Balance at beginning of period	447,918	125,083
Acquisition	18,161	60,818
Comprehensive income		
Profit (loss)	117	—
Other comprehensive income	27	1,622
Disposal	(364,241)	(4,445)
Transfer	—	40,317
Balance at end of period	101,983	223,397

Note: Certain financial instruments were reclassified from Level 2 due to the difficulty in obtaining observable inputs.

iii) 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.

11. Business combinations

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

(Finalization of the provisional accounting for a business combination)

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

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

(¥ thousand)

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

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

(Business combination by acquisition)

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

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

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

(2) Date of acquisition March 18, 2022

(3) Ratio of acquired capital equity with voting rights

100%

(4) Reason for conducting business combination

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

(5) Method for gaining control of the acquired company

Acquisition of shares with cash as consideration.

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

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

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

(7) Acquisition-related costs

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

(8) Cash flows from the acquisition

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

(9) Impact on business performance

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

Six months ended May 31, 2023 (December 1, 2022 – May 31, 2023)

(Business combination by acquisition)

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

Name of the acquired company Shibaura Residential Co., Ltd.

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

(2) Date of acquisition January 31, 2023

(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	1,786,861
Current assets	
Cash and cash equivalents	158,606
Inventories	2,436,866
Other	17,766
Non-current assets	
Other	15,701
Current liabilities	
Other	56,599
Non-current liabilities	
Interest-bearing liabilities	484,806
Other	202,554
Fair value of assets acquired and liabilities assumed (net)	1,884,979
Gain on bargain purchase	98,117

Note: Gain on bargain purchase of ¥98,117 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 ¥82,856 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	(1,740,000)
Cash and cash equivalents held by the acquiree at the time of acquisition	158,606
Payment for the acquisition of subsidiaries	(1,581,393)

(9) Impact on business performance

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

12. Significant Subsequent Events

(Absorption-type company split by a consolidated subsidiary)

Tosei Corporation resolved that a meeting of its Board of Directors held on June 26, 2023, to conclude a basic agreement with LIXIL REALTY Corporation. under which TOSEI-R, Inc., a subsidiary to be newly established by the Company, will succeed to assets, liabilities, contracts and other rights and obligations related to the LIXIL REALTY Corporation's Asset Securitization Business in an absorption-type company split. And the company concluded the agreement on the same date.

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

1. Outline of the business combination

(1) Name of the company to be established by the absorption-type company split

TOSEI-R, Inc.

(2) Name of the party involved and details of the succeeded business

Name of the party involved	LIXIL REALTY Corporation.
Contents of the business to be succeeded to	Real Estate Transaction Business, Real Estate Rental Business, Property Management Business

(3) Purpose of the absorption-type company split

The Tosei Group positions the Tokyo metropolitan area as a major investment area and operates a wide range of business as a comprehensive real estate company with six business segments: Revitalization Business, Development Business, Fund and Consulting Business, Rental Business, Property Management Business, and Hotel Business. In the Revitalization Business, which is one of its core businesses, the Group acquires properties whose asset value has declined, improves their environmental performance, convenience and design based on "value-up plans" to increase their asset value and then resells these renovated properties to a wide range of clients including REITs, general corporations and end users. Through implementation of the absorption-type company split in which the Group will succeed to LIXIL REALTY Corporation's Asset Securitization Business, the Group aims to strengthen human resources in the Revitalization Business and also to acquire, as part of the purchase, 6 income-generating properties, 3 sections of income-generating commercial building with compartmentalized ownership, 1 section of income-generating building with compartmentalized ownership and 109 condominium units.

(4) Effective date

September 1, 2023

(5) Items of assets and liabilities to be succeeded to and their book values

The successor company will succeed to the assets, liabilities, contracts and other rights and obligations related to the business being succeeded to, within the scope provided for in the absorption-type company split agreement. The assets and liabilities to be succeeded are ¥11,329 million and ¥230 million, respectively.

(6) Amount of consideration and the breakdown thereof

As consideration for the absorption-type company split, TOSEI-R, Inc. is scheduled to pay cash to LIXIL REALTY Corporation. The actual amount is not disclosed in accordance with a non-disclosure agreement.

2. Other

No item to report.

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

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

July 6, 2023

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Chuo-ku, Tokyo

Designated and Engagement Partner,
Certified Public Accountant:

_____ Takashi Aikawa (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

_____ Hiroshi Matsubara (Seal)

Auditor's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed quarterly consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the second quarter (March 1, 2023 to May 31, 2023) and the first six-month period (December 1, 2022 to May 31, 2023) of the fiscal year from December 1, 2022 to November 30, 2023.

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting," under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan, and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of May 31, 2023, and the consolidated results of their operations and their cash flows for the six-month period then ended.

Basis for Auditor's Conclusion

We conducted a quarterly review in conformity with quarterly review standards generally accepted in Japan. Our responsibility under the quarterly review standards is described in "Auditor's Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements." In accordance with the professional ethics regulations in Japan, we are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor. We believe that we have obtained the evidence to provide a basis for our conclusion.

Matter for Emphasis

As stated in Significant Subsequent Events, the Company, at the Board of Directors' meeting held on June 26, 2023, resolved to conclude a basic agreement and the company concluded the agreement on the same date with LIXIL REALTY Corporation under which TOSEI-R, Inc., a subsidiary to be newly established by the Company, will succeed to the rights and obligations related to the LIXIL REALTY Corporation's Asset Securitization Business in an absorption-type company split, effective September 1, 2023. These matters shall not affect the opinion of the Independent Auditor.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in conformity with International Accounting Standard 34 “Interim Financial Reporting.” This includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management evaluates whether it is appropriate to prepare the condensed quarterly consolidated financial statements based on a going concern assumption, and is responsible for disclosing any matters as a going concern that require disclosure pursuant to Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.”

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of duties by Directors in designing, implementing and maintaining a financial reporting process.

Auditor’s Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor.

We will make professional judgments throughout the quarterly review process in conformity with the quarterly review standards generally accepted in Japan, and carry out the following with professional skepticism.

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.
- If material uncertainties related to events or conditions that may cast significant doubt upon going concern assumption are recognized, conclude whether nothing comes to attention that causes us to believe that the documents are not fairly presented based on the evidence obtained in the condensed quarterly consolidated financial statements in conformity with Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.” In addition, if material uncertainties regarding going concern assumption are recognized, the quarterly review report shall refer to the notes to the condensed quarterly consolidated financial statements, or, if material uncertainties stated in the notes to the condensed quarterly consolidated financial statements are inadequate, we are required to express qualified or adverse conclusions on the condensed quarterly consolidated financial statements. The auditor’s conclusions are based on evidence obtained by the quarterly review reporting date, but future events and circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether nothing comes to attention that causes us to believe that the presentation and notes to the condensed quarterly consolidated financial statements do not comply with International Accounting Standard 34 “Interim Financial Reporting,” or that the presentation, composition and contents of the condensed quarterly consolidated financial statements including related notes as well as the transactions and accounting events underlying the condensed quarterly consolidated financial statements are not fairly presented.
- Obtain evidence regarding financial information of the Company and its consolidated subsidiaries to express a conclusion on the condensed quarterly consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the quarterly review of the condensed quarterly consolidated financial statements, and is solely responsible for its conclusion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned quarterly review and material findings in the quarterly review.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board that it

has complied with Japan's professional ethics regulations regarding independence as well as on matters that are reasonably considered to affect the independence of the auditor, and the content of safeguards, if any, taken in order to eliminate or mitigate disincentives.

Interest

Our firm and the engagement partners do not have any interest in the Company and its consolidated subsidiaries for which disclosure is required under the provisions of the Certified Public Accountants Act

End

*1. The original copy of the Quarterly Review Report in above, is in the custody of the Company (filing company of the quarterly securities report) as attachments to the financial statements.

2.XBRL data is excluded from the scope of the quarterly review.

Note:

The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.